

**MONEY LAUNDERING AND
TERRORISM FINANCING RISK
ASSESSMENT OF LEGAL PERSONS
IN SINGAPORE 2024**

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TABLE OF ACRONYMS

ABS	Association of Banks in Singapore
ACIP	Anti-Money Laundering and Countering the Financing of Terrorism Industry Partnership
ACRA	Accounting and Corporate Regulatory Authority
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
AML/CFT SC	Anti-Money Laundering and Countering the Financing of Terrorism Steering Committee
APG	Asia-Pacific Group
BEC	Business Email Compromise
BNRA	Business Names Registration Act 2014
BO	Beneficial Ownership
Businesses	Sole Proprietorships and General Partnerships
CAD	Commercial Affairs Department of the Singapore Police Force Singapore's Financial Intelligence Unit, the Suspicious Transaction Reporting Office, is part of CAD
CEA	Council for Estate Agencies
CPIB	Corrupt Practices Investigation Bureau
CID	Criminal Investigation Department
CNB	Central Narcotics Bureau
CDD	Customer Due Diligence
CDSA	Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992
CMA	Computer Misuse Act 1993
Co-op	Co-operative Societies
CPF	Countering Proliferation Financing
CSIS	Chartered Secretaries Institute of Singapore
CSP	Corporate Service Provider
CPIB	Corrupt Practices Investigation Bureau
Customs	Singapore Customs
DNFBPs	Designated Non-Financial Businesses and Professionals
ECDD	Enhanced Customer Due Diligence
Egmont Group	Egmont Group of Financial Intelligence Units
FATF	Financial Action Task Force
FI	Financial Institution
FIU	Financial Intelligence Unit
GDP	Gross Domestic Product
Global Forum	Global Forum on Transparency and Exchange of Information for Tax Purposes
GST	Goods and Services Tax
IAC	AML/CFT Inter-Agency Committee
IRAS	Inland Revenue Authority of Singapore
IMF	International Monetary Fund
ISCA	Institute of Singapore Chartered Accountants
LawSoc	The Law Society of Singapore
LEA	Law Enforcement Agency
LLP	Limited Liability Partnership
LP	Limited Partnership
MAS	Monetary Authority of Singapore

MACMA	Mutual Assistance in Criminal Matters Act 2000
MBO	Mutual Benefit Organisations
MHA	Ministry of Home Affairs
MOF	Ministry of Finance
ML	Money Laundering
ML/TF	Money Laundering and Terrorism Financing
MLA	Mutual Legal Assistance
NParks	National Parks Board
PEP	Politically Exposed Person
PF	Proliferation Financing
RA	Risk Assessment
RQI	Registered Qualified Individual
RTIG	Risk and Typologies Inter-Agency Group
Singpass	Singapore Personal Access
STR	Suspicious Transaction Report
STRO	Suspicious Transaction Reporting Office of CAD
TF	Terrorism Financing
TBML	Trade-based Money Laundering
TSOFA	Terrorism (Suppression of Financing) Act 2002
VCC	Variable Capital Company
WOG	Whole-of-Government

1. EXECUTIVE SUMMARY

- 1.1 Legal persons are formed to undertake a wide range of commercial and entrepreneurial activities, and they play an essential role in the global economy. However, they can be vulnerable to misuse for illicit purposes, such as by obfuscating illicit money trails or for creating fictitious transactions.
- 1.2 Therefore, this Risk Assessment (“RA”) of legal persons was conducted to provide a comprehensive overview of Singapore’s key Money Laundering (“ML”) and Terrorism Financing (“TF”) risks posed by legal persons in Singapore, and to give Law Enforcement Agencies (“LEAs”), regulators, supervisors and industry players a consolidated view that enable their development and adoption of Singapore’s national Anti-Money Laundering and Countering the Financing of Terrorism (“AML/CFT”) strategies, policies and AML/CFT measures specific to their organisations.
- 1.3 This RA includes:
- (i) A consideration of Singapore’s overall risk environment in relation to legal persons¹;
 - (ii) An overview of legal persons related risks that Singapore is exposed to, including any higher-risk characteristics which could elevate their vulnerability;
 - (iii) Risk mitigation measures taken by Singapore; and
 - (iv) Highlights of techniques and typologies involving the misuse of legal persons in Singapore.
- 1.4 Risk ratings of each legal person type are assessed on a relative basis, and a lower risk rating does not indicate that there is no risk faced by that legal person type. The abuse of legal persons cannot be fully mitigated because the activities and modus operandi of criminal syndicates will evolve, and legal persons would remain susceptible to be misused.
- 1.5 The various types of legal persons in Singapore have different features to suit different business needs. For example, a Company would have a separate legal personality from its members and directors, while a Sole Proprietorship would not have a separate legal personality from its owner. The different features also affect the likelihood of these legal persons being misused for financial crimes.
- 1.6 Legal persons in Singapore are assessed to be of the following ML and TF risks:

Table 1: Legal persons RA

Legal person	ML Risk	TF Risk
Companies	High	Medium low
Unregistered Foreign Companies	High	Medium low
Limited Liability Partnerships	Medium high	Low
Variable Capital Companies	Medium low	Low
Sole Proprietorships/General Partnerships	Medium low	Low
Limited Partnerships	Medium low	Low
Societies	Low	Low

¹ This includes foreign-created legal persons which have sufficient links to Singapore, such as those which (i) Have a permanent establishment in Singapore; (ii) Have ongoing business activity in Singapore; (iii) Employ staff in Singapore; (iv) Are tax resident in Singapore; (v) Have ongoing banking relationships in Singapore; (vi) Hold real estate in Singapore.

Legal person	ML Risk	TF Risk
Co-operative Societies	Low	Low
Mutual Benefit Organisations	Low	Low

- 1.7 Among the various types of legal persons, Companies and Unregistered Foreign Companies are assessed to be of higher residual risk to ML and medium low residual risk to TF. Companies are the most common choice of business entities in Singapore. Their business-friendly features also increase their propensity to be misused – such as having a separate legal personality and the ability to appoint other natural persons to manage its affairs. Unregistered Foreign Companies – which are created in another jurisdiction but are not required to be registered with the Accounting and Corporate Regulatory Authority (“ACRA”) as they only conduct specific activities in Singapore² – could raise additional vulnerabilities, if there is a lack of robust checks in their incorporating jurisdictions. Unlike other types of legal persons, Unregistered Foreign Companies also have limited number of or no natural persons in Singapore who can be held accountable for offences committed.
- 1.8 To mitigate against the risk of misuse of legal persons, Singapore has put in place various controls that are tailored according to the risk profile of each type of legal person, with Companies being subject to the most stringent controls as they face the highest risk of being misused for ML. A common control across all types of legal persons is requiring AML-regulated parties (i.e. financial institutions and designated non-financial businesses and professions) to obtain the basic and beneficial ownership information of legal persons when establishing business relationships. Law enforcement authorities have the power to obtain this information from AML-regulated parties for any investigations into potential offences.

² For example, maintaining a bank account, investing in funds, holding property or conducting legal activities/proceedings.

2. INTRODUCTION

2.1 BACKGROUND

- 2.1.1 Legal persons³ such as Companies, are formed to undertake a wide range of commercial and entrepreneurial activities. They can be created with ease in numerous jurisdictions and are used to access the trading and financial system globally.
- 2.1.2 Legal persons play an essential role in the global economy. However, they can and have known to be, vulnerable to misuse for illicit purposes, including for corruption, tax evasion, ML and TF, as well as Proliferation Financing (“PF”). In an increasingly interconnected world, where funds can flow swiftly across borders, including via legal persons which can be the originators, beneficiaries or intermediaries of such flows, legal persons may be misused to obfuscate illicit money trails or to create fictitious transactions.
- 2.1.3 The transparency of beneficial ownership (“BO”) of legal persons has therefore come under increased global scrutiny, including from the G20, the Financial Action Task Force (“FATF”), the Global Forum, the International Monetary Fund (“IMF”) and World Bank. This is particularly so, in light of concerns raised from typologies observed by the FATF, LEAs and media exposé reports relating to “Panama Papers”, “Paradise Papers”, “Russian Laundromat” etc.

2.2 OBJECTIVE

- 2.2.1 This legal persons RA provides:
- (i) A consideration of Singapore’s overall risk environment in relation to legal persons⁴;
 - (ii) An overview of legal persons-related risks that Singapore is exposed to, including any higher-risk characteristics which could elevate their vulnerability;
 - (iii) Risk mitigation measures taken by Singapore; and
 - (iv) Highlights of techniques and typologies involving the misuse of legal persons in Singapore.

2.3 APPROACH ON LEGAL PERSONS RISK SURVEILLANCE AND ASSESSMENT

- 2.3.1 This RA is conducted under the auspices and guidance of the AML/CFT Steering Committee (“AML/CFT SC”), co-chaired by the Permanent Secretary of the Ministry of Home Affairs (“MHA”), the Permanent Secretary of the Ministry of Finance (“MOF”) and the Managing Director of the Monetary Authority of Singapore (“MAS”). The AML/CFT SC sets Singapore’s broad policy objectives and direction for combating ML, TF and PF. The senior level involvement and the significant resources invested into AML/CFT work in Singapore demonstrate Singapore’s strong commitment towards combatting ML, TF and PF.

³ The FATF defines legal persons as any entities, other than natural persons, that can establish a permanent customer relationship with a FI or otherwise own property. This can include companies, bodies corporate, foundations, partnerships, or associations and other relevant similar entities that have legal personality. This would also include co-operative societies and non-profit organisations that can take a variety of forms which vary between jurisdictions, such as foundations or associations.

⁴ This includes foreign-created legal persons which have sufficient links to Singapore, such as those which (i) Have a permanent establishment in Singapore; (ii) Have ongoing business activity in Singapore; (iii) Employ staff in Singapore; (iv) Are tax resident in Singapore; (v) Have ongoing banking relationships in Singapore; (vi) Hold real estate in Singapore.

- 2.3.2 This RA is overseen by the Risks and Typologies Inter-agency Group (“RTIG”). Consistent with the approach taken for the conduct of other related RAs in Singapore, this assessment is a government-wide exercise which brings relevant Law Enforcement Agencies (“LEAs”), Financial Intelligence Unit (“FIU”), supervisory and policy agencies, as well as industry experts together to enhance and deepen Singapore’s collective understanding of the misuse of legal persons in Singapore.
- 2.3.3 In performing this RA, reference was taken from the *Guidance on National Money Laundering and Terrorist Financing Risk Assessment* published by the FATF in February 2013, the World Bank’s *Legal Persons and Arrangements ML Risk Assessment Tool* published in July 2022, as well as relevant information published by other international bodies⁵. This RA also seeks to comprehensively update Singapore’s previous understanding of ML and TF risks posed by legal persons.
- 2.3.4 In evaluating the ML/TF risks posed by legal persons in Singapore, the range of legal persons operating in and with sufficient links to Singapore are assessed against a wide range of qualitative and quantitative factors⁶. These include analysis of typologies reports, intelligence assessments produced by credible sources⁷ and relevant data sources from domestic and foreign governmental agencies, including FIUs, LEAs, and supervisory bodies.
- 2.3.5 This assessment has also taken into account industry-led studies, feedback and consultations such as the Anti-Money Laundering and Countering the Financing of Terrorism Industry Partnership (“ACIP”) Best Practices Paper on *Legal Persons – Misuse Typologies and Best Practices*⁸ which highlights recent typologies involving the misuse of Companies and other legal persons and the ACIP Best Practices Paper for *Financial Institutions to Manage ML/TF/PF risks associated with Receiving Referrals from Corporate Service Providers*⁸ which highlights risks in relation to the misuse of legal persons and arrangements, and sets out best practices for financial institutions to review and adopt in order to manage identified risks.
- 2.3.6 Complementing this RA is a comprehensive suite of AML/CFT/Countering Proliferation Financing (“CPF”) publications issued by Singapore authorities, including the *Money Laundering Risk Assessment Report Singapore 2024*, *Terrorism Financing National Risk Assessment 2024*, *Singapore’s 2024 Proliferation Financing National Risk Assessment*, *Environmental Crimes Money Laundering National Risk Assessment 2024*, *National Anti-Money Laundering Strategy Singapore 2024*, *National Strategy for Countering the Financing of Terrorism*, *National Asset Recovery Strategy*, *Money Laundering and Terrorism Financing Risk Assessment of Legal Arrangements in Singapore 2024*, and *Virtual Assets Risk Assessment Report Singapore 2024*. Users of this RA are recommended to also review these and other relevant publications to assist their respective risk assessments and implementation of risk mitigation measures.

⁵ Including the FATF Guidance on Transparency and Beneficial Ownership (October 2014), the FATF-Egmont Concealment of Beneficial Ownership Paper (July 2018), the Stolen Asset Recovery Initiative’s paper on Signatures for Sale (April 2022) and the IMF paper on Unmasking Control (October 2022).

⁶ That are categorised into Threats, Vulnerabilities and Controls. See section 2.4.

⁷ Including but not limited to the FATF, the Egmont Group and the United Nations Expert Panels.

⁸ These ACIP Legal Person’s Best Practices Papers were published on 14 May 2018 and 6 February 2024 and are available on the website of the Association of Banks in Singapore (<https://abs.org.sg/industry-guidelines/aml-cft-industry-partnership>).

2.4 METHODOLOGY

2.4.1 In determining the legal persons' risk, Singapore's economic and legal framework, and a broad range of qualitative and quantitative factors were considered using a methodology that is aligned with the FATF's Guidance and takes reference from the World Bank's National Risk Assessment methodology⁹. Each legal person's residual ML and TF risks is determined as a function of threats (taking their consequences and impact into account), vulnerabilities and controls, with greater emphasis accorded to threats and vulnerabilities.

Table 2: Legal persons RA methodology

Threats	<ul style="list-style-type: none"> • Level of exposure • Propensity for misuse for illicit purposes
Vulnerabilities	<ul style="list-style-type: none"> • Size and significance • Ease of formation and registration • Features and characteristics • Availability of basic and beneficial ownership information • Attractiveness for non-resident use • Cross-border risk exposure
Controls	<ul style="list-style-type: none"> • Quality of corporate registry and basic information • Accessibility of beneficial ownership information by competent authorities • Quality of information obtained through CDD • Effectiveness of enforcement/sanctions supporting beneficial ownership/transparency • Effectiveness of domestic exchange of information • Effectiveness of international exchange of information

Determination of threats

2.4.2 The legal persons RA methodology is anchored on the assessment of Singapore's exposure to threats involving the abuse of legal persons. Key threats for Singapore were determined through a detailed analysis of a broad range of qualitative and quantitative factors such as the:

- (i) Extent and landscape of ML activities involving legal persons – Through quantitative and qualitative indicators such as suspicious transaction reports, investigations, prosecutions and convictions of offences committed through legal persons.
- (ii) Singapore's inherent exposure to crime based on its environmental and contextual factors – Insights were drawn from international and regional reports, where common typologies of abuse of legal person are evaluated against Singapore's jurisdiction to assess the level of incidence.

⁹ Reference was also taken from the Guidance on National Money Laundering and Terrorist Financing Risk Assessment published by the FATF in February 2013, the Introduction to the National Risk Assessment Tool published by the World Bank in June 2015 and the National Money Laundering, Terrorist Financing Risk Assessment Toolkit: Legal Persons and Arrangements ML Risk Assessment Tool published by the World Bank in July 2022.

- (iii) Threat perceptions – Based on an analysis of credible open-source information on the involvement of legal persons in financial crime, complemented by information originating from foreign LEA and FIU partners and Mutual Legal Assistance (“MLA”) requests received.

Determination of vulnerabilities and controls

- 2.4.3 The establishment of key threats concerning legal persons in Singapore is followed by an assessment of vulnerabilities¹⁰ against these threats. Similarly, this was determined through a detailed analysis of a broad range of qualitative and quantitative factors such as the size and significance of each legal person type, ease of formation and attractiveness for non-resident use.
- 2.4.4 Controls are mitigation measures that are applied against the identified threats and vulnerabilities faced by legal persons in Singapore. These include the quality of and timely access to basic and BO information, effectiveness of enforcement and exchange of information mechanisms. The strength of Singapore’s controls against the abuse of legal persons are evaluated to derive the overall risk posed by legal persons. Taken together, this legal persons RA assessed all relevant legal person types in Singapore against the factors laid out in Table 2 to determine overall risk of each legal person type.
- 2.4.5 Risk ratings of each legal person type are assessed on a relative basis, and a lower risk rating does not indicate that there is no risk faced by that legal person type, since the potential for abuse of legal persons cannot be fully eliminated.

¹⁰ Vulnerabilities are things that can be exploited by threat or that may support or facilitate its activities.

3. SINGAPORE'S ENVIRONMENT

3.1 GEOGRAPHY AND ECONOMY

- 3.1.1 Located in Southeast Asia, Singapore is an island city state with a land area of 725 square kilometres. Singapore has a population of around 5.92 million, of which 70% are residents.
- 3.1.2 Singapore's strategic geographical location has enabled it to develop into an international aviation and maritime transportation hub. Situated along the vital shipping lanes of the Straits of Malacca, Singapore has one of the busiest ports in the world, connected to more than 600 ports in over 120 countries and with more than 140,000 vessel calls annually. With an airport serving over 100 airlines flying to over 300 cities in about 80 countries and territories worldwide, Singapore has strong global connectivity.
- 3.1.3 In 2023, Singapore's Gross Domestic Product ("GDP") at current market prices was SGD 673.3 billion, with per capita GDP of SGD 113,779. Singapore's top trading partners are China, Malaysia, the US and the European Union.
- 3.1.4 Singapore is a dynamic international business, financial and trading centre, characterised by economic openness, an efficient financial system and well-developed business infrastructure. Its diversified economy spans manufacturing, wholesale trade, finance/insurance and other services.
- 3.1.5 Singapore has been identified by the IMF as one of 29 systematically important financial centres in the world and is host to more than 1,000 Financial Institutions ("FIs") offering a wide variety of financial products and services and serving a broad and diverse customer base. Singapore's financial centre is dominated by banks and features a highly efficient and developed system. Singapore is also one of the world's fastest growing wealth management centres, due primarily to the wide range of financial and wealth management services offered. As at end 2023, 77% of Singapore's asset under management originated from outside Singapore.¹¹

3.2 SINGAPORE'S AML/CFT POLICY OBJECTIVES

- 3.2.1 Singapore's role as a regional and international business, financial and trading centre makes it vulnerable to being misused as a conduit for laundering of and destination point for illicit funds. Ensuring that Singapore is protected against abuse by nefarious players is essential for our continued prosperity, since our development has been built on the hallmarks of strong rule of law, transparency and trustworthiness. Combatting ML/TF is therefore of national priority.
- 3.2.2 Overall, Singapore adopts a whole-of-system approach to preventing, detecting and enforcing against ML/TF, involving close coordination and collaboration amongst Government agencies, public-private partnership and international cooperation.
- 3.2.3 Singapore's AML efforts are led by the AML/CFT SC, which comprises the Permanent Secretary of MHA, Permanent Secretary of MOF and the Managing Director of MAS. The senior level involvement and the significant resources invested into AML/CFT work in Singapore demonstrate Singapore's strong commitment towards combatting such financial crimes.

¹¹ 2023 Singapore Asset Management Survey, MAS.

- 3.2.4 The AML/CFT SC sets Singapore’s broad policy objectives and directions for combating ML/TF/PF and ensures that the various government agencies have effective mechanisms in place to cooperate and coordinate with one another, and to strengthen Singapore’s resilience against criminal abuse.
- 3.2.5 The AML/CFT SC is supported by the AML/CFT Inter-Agency Committee (“IAC”). The IAC which comprises Singapore’s key AML agencies (including policy makers, FIU, LEAs, supervisors, customs and tax authorities, intelligence services, the judiciary, etc.), is the main operational body that facilitates the coordination and implementation of Singapore’s AML policy. The SC and IAC are further supported by the RTIG, which is the main working-level body tasked to review ML/TF risks at the government level. The RTIG comprises all operational, law enforcement, regulatory, supervisory and policy agencies involved in AML/CFT work in Singapore. Through the IAC and RTIG, agencies also share information such as emerging threats and trends, typologies, best practices and other developments.

3.3 LEGAL, ENFORCEMENT AND SUPERVISORY FRAMEWORK

- 3.3.1 Singapore has a strong and transparent legal and institutional framework for ML/TF enforcement, prosecution, asset recovery and international cooperation. Singapore continually keeps abreast of emerging AML/CFT developments and ensures that its legal and institutional frameworks are in line with international standards and best practices through providing leadership and actively participating at international and regional forum including the FATF, the Asia-Pacific Group (“APG”)¹², the Financial Stability Board and Basel Committee on Banking Supervision, INTERPOL, and the Egmont Group.
- 3.3.2 Singapore’s approach is to rigorously investigate all leads to uncover possible ML/TF offences and we will not hesitate to prosecute offenders. In line with Singapore’s key ML/TF threats, agencies prioritise the investigation of complex, transnational cases perpetrated by professional and syndicated criminals. LEAs have the powers to access all necessary documents and information for use in investigations, prosecutions, and related actions. These include powers to compel production of records, search of persons and premises, taking of statements, and the seizure and confiscation of evidence and illicit assets. To ensure effective enforcement of ML/TF cases, Singapore has a comprehensive framework for seizing and confiscating criminal proceeds.
- 3.3.3 Singapore has three key LEAs investigating ML/TF – (i) the Singapore Police Force, which includes the Commercial Affairs Department (“CAD”), and Criminal Investigation Department (“CID”), (ii) Corrupt Practices Investigation Bureau (“CPIB”), and (iii) Central Narcotic Bureau (“CNB”). There are also other LEAs in Singapore who are responsible for investigating the predicate crimes, such as the Inland Revenue Authority of Singapore (“IRAS”), Singapore Customs (“Customs”) and National Parks Board (“NParks”).
- 3.3.4 The Corruption, Drug Trafficking, and Other Serious Crime (Confiscation of Benefits) Act 1992 (“CDSA”) is the primary legislation in Singapore which criminalises the laundering of criminal benefits and provides for the investigation and confiscation of such benefits. The penalty for an offence of ML is severe – imprisonment of up to ten years and/or fine of up to SGD 500,000 for natural persons; and a fine not exceeding SGD 1 million or twice the value of benefits of

¹² Singapore has served in various leadership roles at the FATF, including co-Chair of the FATF’s Policy and Development Group, FATF Steering Group, and most recently FATF President (from June 2022 to June 2024). Through such active involvement, Singapore collaborates closely with fellow AML/CFT policymakers and experts to drive and develop international AML/CFT agenda and standards.

drug dealing or criminal conduct in respect of which the offence was committed, whichever is higher, for ML offences committed by legal persons.

- 3.3.5 The Terrorism (Suppression of Financing) Act 2002 (“TSOFA”) is Singapore’s main legislation to suppress the financing of terrorism and provides for powers to seize, freeze and confiscate terrorist property. TSOFA expressly prohibits the use, possession, provision and collection of property and services for terrorist acts and purposes. The penalty for offences of TF is severe – imprisonment of up to ten years and/or fine of up to SGD 500,000 for natural persons; and a fine not exceeding SGD 1 million or twice the value of the property, financial services or other related services or financial transaction for TF offences committed by legal persons, whichever is higher.

4. LEGAL PERSONS IN SINGAPORE

4.1 LEGAL PERSONS THAT MAY BE CONSTITUTED IN SINGAPORE¹³

4.1.1 The FATF defines legal persons as any entities, other than natural persons, that can establish a permanent customer relationship with an FI or otherwise own property.

4.1.2 Table 3 summarises the spectrum of legal persons¹⁴, including those without a separate legal personality, that can be created in Singapore.

Table 3: Legal persons that can be created in Singapore

Legal person	Statute	Can establish a permanent relationship with an FI?	Can legally own property in its name?
Companies	Companies Act 1967	Yes	Yes
Sole Proprietorships/General Partnerships ¹⁵	Business Names Registration Act 2014	Yes	No
Limited Liability Partnerships	Limited Liability Partnerships Act 2005	Yes	Yes
Variable Capital Companies	Variable Capital Companies Act 2018	Yes	Yes
Limited Partnerships ¹⁵	Limited Partnerships Act 2008	Yes	No
Societies	Societies Act 1966	Yes	Yes
Co-operative Societies	Co-operative Societies Act 1979	Yes	Yes
Mutual Benefit Organisations	Mutual Benefit Organisations Act 1960	Yes	Yes

4.1.3 The number of Singapore legal persons between 2020 and 2023 are summarised in Table 4. Companies remain the most prevalent form of Singapore legal persons, and as of 31 December 2023, represent 71.5% of the population. Sole Proprietorships and General Partnerships (collectively known as “Businesses”), which are businesses owned and operated by up to 20 persons, form the next largest category representing 24.0% of the population as of 31 December 2023.

¹³ This is distinct from and excludes legal arrangements (e.g., express trusts) and other entities which are given powers by statute to own property (e.g., statutory boards, polytechnics, town councils).

¹⁴ Per FATF’s definition.

¹⁵ Sole Proprietorships, General Partnerships and Limited Partnerships are not separate legal entities from their owners/partners and are generally not considered to be legal persons. Nonetheless, they have been included in this RA for completeness.

Table 4: Number of registered legal persons in Singapore between 2020 and 2023

Legal person	31 December 2020	31 December 2021	31 December 2022	31 December 2023	% of total ¹⁶
Companies ¹⁷	373,918	389,471	406,637	428,314	71.5%
Sole Proprietorships/General Partnerships	145,627	146,925	144,227	143,471	24.0%
Limited Liability Partnerships	17,884	17,425	17,098	16,922	2.8%
Variable Capital Companies	185	472	781	1,024	0.2%
Limited Partnerships	477	543	632	727	0.1%
Others	8,237	8,394	8,477	8,558	1.4%

Foreign legal persons that carry on business in Singapore are required to register with ACRA

- 4.1.4 Included in the statistics for Companies are legal persons created in another jurisdiction¹⁸, which establish or intend to establish a place of business, or which carry on or intend to carry on business in Singapore. Such foreign companies are required to be registered with ACRA (“Registered Foreign Companies”) and be subjected to various regulatory requirements, including the maintenance of basic and BO information with ACRA.
- 4.1.5 Registered Foreign Companies represent an insignificantly low proportion (0.3%) of Singapore legal persons as of 31 December 2023 and do not commonly feature in ML and TF investigations.

Foreign legal persons not registered with ACRA but have sufficient links to Singapore

- 4.1.6 Foreign legal persons are not regarded as carrying on business in Singapore if they only, *inter alia*¹⁹, maintain any bank account or invest any of their funds or hold any property. Such foreign legal persons do not need to be registered with ACRA (“Unregistered Foreign Companies”) and are not subject to the same regulatory requirements as Registered Foreign Companies.
- 4.1.7 Nevertheless, such Unregistered Foreign Companies within Singapore’s jurisdiction are subject to AML/CFT checks as transactions conducted in Singapore, such as financial activities and purchase of property, are typically performed through FIs and Designated Non-Financial Businesses and Professions (“DNFBPs”), which are AML/CFT obligated entities. AML/CFT obligated entities are required to identify and verify their customers’ BO information, understand the purpose of the relationship, and make available such information to Singapore’s LEAs upon requests.

¹⁶ As of 31 December 2023.

¹⁷ Includes foreign companies registered with ACRA.

¹⁸ As defined under the Companies Act 1967 section 4, Interpretation and Part 11, Division 2 – Foreign companies.

¹⁹ See section 366(2) of the Companies Act 1967 for the complete list of activities which are not regarded as carrying on business in Singapore.

5. LEGAL PERSONS RISK ASSESSMENT

5.1 OVERVIEW

5.1.1 This section sets out the RA outcomes of legal persons created in Singapore and those with sufficient links to Singapore.

5.1.2 The RA outcomes take into account the following factors:

- (i) The extent of exposure to threats, including Singapore’s exposure to known regional and international ML/TF typologies, as well as other information derived from investigations and intelligence obtained from foreign counterparts, Suspicious Transaction Reports (“STRs”), MLAs and Requests for Assistance
- (ii) The vulnerabilities of the legal persons to ML/TF, and
- (iii) The strength of controls on legal persons.

5.1.3 The assessed risks are summarised in Table 5 and the detailed elaboration is set out in the following sections.

Table 5: Legal persons RA

Legal person	ML Risk	TF Risk
Companies	High	Medium low
Unregistered Foreign Companies	High	Medium low
Limited Liability Partnerships	Medium high	Low
Variable Capital Companies	Medium low	Low
Sole Proprietorships/General Partnerships	Medium low	Low
Limited Partnerships	Medium low	Low
Societies	Low	Low
Co-operative Societies	Low	Low
Mutual Benefit Organisations	Low	Low

5.2 COMPANIES

Key exposures to threats

5.2.1 As an international financial centre and business and trading hub, Companies play a pivotal role in supporting commercial and entrepreneurial activities in Singapore. However, LEAs have observed instances of Companies being misused for illicit purposes, in both domestic and foreign-origin ML cases involving fraud, corruption, tax evasion, trade-based money laundering (“TBML”), etc. In particular, Business Email Compromise (“BEC”) and government officials impersonation scams continue to be key concerns for LEAs and shell companies have been observed to be misused as a means to launder fraudulent proceeds.

5.2.2 Risks are heightened when bad actors (typically non-residents) take control of the legal person’s corporate bank accounts and carry out transactions without knowledge of the ordinarily resident director. Such risks could manifest in situations where the director assists with the opening of corporate bank accounts and provides these foreign individuals with unfettered access to these accounts.

5.2.3 Companies are registered under the Companies Act 1967 and generally exhibit the following features:

- (i) Companies have separate legal personalities, allowing for the separation of the person investing in a Company and the Company itself.
 - (ii) Ability to appoint other natural persons as directors to manage the affairs of the Company and/or to act as nominee shareholders of a Company, allowing for the beneficial owner(s)' identity to be concealed from the Company's basic information.
 - (iii) The separate legal personality allows a Company to establish business relationships with other legal or natural persons, and to own financial and non-financial assets.
 - (iv) The corporate veil provided by Companies also allows for legal separation between the personal assets of its shareholders and the debts of the Company, protecting the personal assets of the shareholders from the corporation's actions that resulted in debt.
- 5.2.4 Between 2020 and 2023, Companies were the most featured type of legal persons in ML investigations carried out by Singapore's LEAs. Featuring a wide range of typologies and predicate offences, these include the layering of illicit funds across multiple jurisdictions through shell and front companies, and in some cases laundering of foreign corrupt and tax crime proceeds.
- 5.2.5 LEAs' observations are corroborated with our surveillance on international typologies from other credible jurisdictions, and industry observations. A 2018 legal persons survey conducted by ACIP with participating banks and reaffirmed in 2024 through a follow-on survey similarly shown that Companies are the most common type of legal persons with banking relationships with FIs at about 65% of the population but account for approximately 80% of STRs filed on legal persons, broadly indicative of the relative propensity for misuse of Companies.
- 5.2.6 As noted in *Money Laundering Risk Assessment Report Singapore 2024*, Singapore's major ML threats are derived from predicate offences committed locally and abroad. These include fraud, criminal breach of trust, unlicensed moneylending, organised crime, ML, corruption, tax crime and TBML. In the identified major ML threats, Companies have featured in various cases which were intended to obscure the identities of criminals and conceal the funds' true origins. In some cases, they were also used to support fictitious trade, including for potential sanctions evasion.
- 5.2.7 Consistent with international typologies, authorities in Singapore have observed shell companies being misused for the laundering of illicit funds through layering or concealment of ownership of unlawfully obtained assets.

Case study 1 – Whole-of-Government (“WOG”) action taken to tackle a network of legal persons used for the laundering of scam proceeds

In the second half of 2020, CAD observed a spate of BEC scams targeted at foreign corporate victims, and where Singapore corporate bank accounts were used to receive the fraudulent proceeds. CAD initiated a proactive deep dive network analysis and uncovered a network of Singapore incorporated shell companies, which were suspected to be receptacles waiting to be deployed for ML. These shell companies were observed to be created by a number of common CSPs.

CAD established that most of the victims were corporates based in the United States, with a smaller number based in Singapore and other parts of the world such as Australia and some European countries. The allegedly fraudulent funds were received in the Singapore bank accounts of some of

these shell companies, and it was observed that a large proportion of these funds were transferred out to other corporate bank accounts in another country (Country X) within one or two days. In some instances, Singapore bank accounts belonging to companies incorporated in yet another country (Country Y) with no Singapore presence, were also used for such laundering activities. As of February 2021, Singapore had received more than 80 reports, involving at least USD 104.3 million, that were linked to this network.

CAD flagged this case to the RTIG for WOG mitigation action. This triggered a joint project between CAD, MAS, ACRA and relevant ACIP bank members, where specific intelligence and leads were shared with the banks for them to surface new leads and to conduct further analytics within their entities. The information sharing led to over 990 additional STRs filed by ACIP bank members, which were analysed and disseminated by the Suspicious Transaction Reporting Office (“STRO”) to CAD to augment investigations. Coupled with CAD’s close relationship with the US authorities, as well as Singapore LEAs’ ability to initiate immediate freezing actions, Singapore managed to intercept about USD 53 million worth of fraudulent funds, including more than USD 20 million of incoming funds that were blocked through the banks’ proactive identification of suspicious accounts.

12 individuals, who were either local directors and/or CSPs of 35 Companies were charged for various offences including failing to discharge directors’ duties and for abetting the directors in the offences. As of September 2024, seven of the accused persons have been convicted and each sentenced to an imprisonment term of between 4 to 6 weeks or a fine of an amount between SGD 4,000 to SGD 57,000, and disqualification from acting as a director of between 3 to 5 years.

ACRA had also conducted investigations and/or inspections on the CSPs involved. Two CSPs and two Registered Qualified Individuals (“RQIs”) had their registrations cancelled by ACRA and six CSPs were imposed financial penalties ranging from SGD 4,000 to SGD 14,000 for breaches of their AML/CFT obligations. Through ACRA's analysis, ACRA shared information with CAD on an additional 25 individuals who were linked to the case, which had not surfaced in CAD's investigations.

To alert the broader industry and raise awareness, CAD, MAS and ACIP issued an ACIP advisory on this emerging typology involving professional ML and misuse of legal persons. MAS and ACRA have also subjected relevant banks and CSPs to more intensive supervisory scrutiny.

- 5.2.8 Singapore’s key TF threats²⁰ stem from (i) terrorist groups such as the Islamic State of Iraq and Syria, Al-Qaeda and Jemaah Islamiyah, potential spillovers from the ongoing Israel-Hamas conflict and tensions in the Middle East, and (ii) radicalised individuals who are sympathetic towards the cause of these terrorist groups. The financing of terrorism activities has been observed to involve sectors such as money remittances, banks, digital payment tokens service providers and non-profit organisations. Although Companies do not commonly feature in TF investigations carried out by Singapore LEAs, the same features²¹ and characteristics which elevate their exposure to ML threats may similarly be exploited for such TF purposes.

²⁰ For more information, see Singapore’s Terrorism Financing National Risk Assessment 2024.

²¹ Such as its ability to appoint other natural persons to manage its affairs and/or act as a nominee shareholder which allows for beneficial ownership information to be concealed from a Company’s basic information.

Vulnerabilities assessment

Ease of formation and registration, size and significance, and features and characteristics

- 5.2.9 Creation of Companies can be performed online via ACRA’s electronic transaction system (www.bizfile.gov.sg), which requires users to be authenticated through Singpass²². Residents of Singapore may do so using Singpass or engage the services of a CSP. As Singpass is only available to residents of Singapore, all non-resident foreign nationals who wish to incorporate a Company or be involved in an existing Company via directorships can only do so through a CSP that is registered with ACRA. As such, these individuals would be subjected to relevant AML/CFT procedures and checks.
- 5.2.10 One of the prevailing typologies for the misuse of Singapore legal persons involves locally resident individuals who knowingly or unknowingly surrendered their Singpass login credentials to third parties for the creation of legal persons, such as Companies, that are subsequently misused for ML. To mitigate against this form of abuse, ACRA had put in place measures requiring such individuals to undergo enhanced authentication processes including facial verification when they attempt to perform higher-risk transactions, such as incorporations. Furthermore, the Computer Misuse Act 1993 (“CMA”) was amended in May 2023 to criminalise the act of sharing Singpass credentials without proper verification, and obtaining or dealing in Singpass credentials unless for lawful reasons. These amendments seek to curb the abuse of Singpass by deterring individuals from enabling or facilitating the commission of criminal activities such as fraud and money laundering by others. They also seek to protect citizens and businesses who depend on Singpass as Singapore’s national digital identity.
- 5.2.11 Compared to other business entity types that may be created in Singapore, more obligations²³ are required for a Company’s initial setup and for its continuing obligations. These include requirements to appoint a locally resident director, annual returns filing obligations and obligations to maintain registers of registrable controllers (commonly known as beneficial owners), nominee directors and nominee shareholders. Unless exempted²⁴, Companies are also required to have their annual financial statements audited by a Singapore registered public accountant.
- 5.2.12 The Companies Act 1967 requires all Companies to have at least one locally resident director, whose role is to monitor and supervise the company’s affairs and take reasonable measures when red flags arise. This goes beyond the requirements of many comparable jurisdictions.
- 5.2.13 Despite the higher setup cost and continuing obligations, Companies are the most prevalent form of legal persons that are created in Singapore at 428,314 entities, representing 71.5%²⁵ of Singapore legal persons. Companies are also observed to be the most common choice of business entity in most comparable jurisdictions.

²² Singpass stands for Singapore Personal Access, which is Singapore’s national digital identity. Users can use Singpass to transact with Government agencies and private sector organisations. Currently, Singpass has more than 4.5 million users, covering 97% of Singapore Citizens and Permanent Residents aged 15 and above. Source: www.smartnation.gov.sg.

²³ Setup fee of SGD 315 (Consisting of SGD 15 for name application and SGD 300 for incorporation).

²⁴ Sections 205B and 205C of the Companies Act 1967 exempts dormant and small companies from audit requirements.

²⁵ As of 31 December 2023.

Availability of basic and BO information

5.2.14 Singapore's Registrar of Companies, ACRA, requires basic information²⁶ of Singapore incorporated Companies to be centrally maintained, accurate and kept up to date. Depending on the information required, members of public can electronically access a company's basic information for a nominal fee without undue delays.

5.2.15 Recognising the importance of corporate transparency in mitigating the misuse of legal persons, ACRA has in place various measures aimed at improving the corporate transparency of Singapore Companies and other legal persons. From 31 March 2017, Companies²⁷ and Limited Liability Partnerships ("LLPs") were required to maintain a BO register within 30 days from their dates of incorporation or registration, as the case may be. This requirement was further strengthened from July 2020²⁸ where Companies and LLPs were required to centrally lodge their BO registers with ACRA. As of October 2024, more than 90% of Companies and LLPs have filed their BO information with ACRA.

5.2.16 In July 2024, corporate transparency was further enhanced by the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Act 2024. This enhancement requires Companies and LLPs to identify, maintain and lodge their BO register at the point of incorporation (as opposed to giving these entities up to 30 days to provide such information), and for the identities of any nominee directors and nominee shareholders, and their nominators to be filed centrally with ACRA. The nominee status of any director and shareholder will be publicly accessible while the identities of their nominators will be available only to competent authorities. Additionally, the maximum fine for registers-related offences has been increased five-fold, from SGD 5,000 to SGD 25,000 per breach, to enhance deterrence and establish an effective, proportionate, and dissuasive regulatory regime.

Case study 2 – False lodgements of BO information with the Registrar of Companies

In 2021, ACRA received information that an individual's identity had been misused to be appointed as a nominee director of more than 200 Singapore incorporated Companies.

Investigations conducted by ACRA into the CSP revealed that its RQI (Natural Person T) had authorised staff of her CSP to lodge with the Registrar of Companies various incorporations and company documents which falsely appointed the individual as the director, shareholder and/or beneficial owner of the Companies. Investigations also revealed that the Companies to which the individual was appointed without the Individual's consent or awareness were primarily owned by foreign nationals.

As a result of the breaches, ACRA cancelled the registrations of the CSP and its associated RQI in 2021. The Companies involved have either been struck off the Register of Companies or have updated their BO information with ACRA.

²⁶ Including but not limited to the company name, proof of incorporation, legal form, status, address of the registered office, basic regulating powers and a list of directors and shareholders/members.

²⁷ This includes foreign companies registered with ACRA.

²⁸ Please refer to <https://www.acra.gov.sg/compliance/register-of-registrable-controllers> for more information. Registered Foreign Companies are also subject to these requirements.

Attractiveness for non-resident use and cross-border risk exposure

- 5.2.17 As of 31 December 2023, 19.9% of Singapore incorporated Companies are fully or majority owned by non-resident foreign nationals. Singapore incorporated Companies have the highest proportion of foreign ownership amongst all types of legal persons that may be created in Singapore, broadly indicative of Singapore incorporated Companies' attractiveness for non-resident use relative to other forms.
- 5.2.18 Based on information filed with ACRA, 21.4% of Singapore incorporated Companies have one or more corporate shareholders and 10.4% of Singapore incorporated Companies are fully or partially owned by foreign corporations. These statistics are indicative of some Singapore incorporated Companies being used in ownerships structures that are of a cross-border nature and potentially more complex. While the FATF-Egmont paper on the *Concealment of Beneficial Ownership*²⁹ acknowledges that complex ownership and control structures are not unlawful and have legitimate purposes, it also notes that they can and have been used to disguise BO through distancing the beneficial owner from his/her asset via complex chains of ownership to obscure BO.

Controls

Corporate transparency

- 5.2.19 Basic and BO information filed centrally with ACRA is directly accessible to competent authorities in Singapore for the enforcement of any written law. Parties with access to BO information maintained in ACRA's central BO register may report discrepancies to ACRA for follow-up action.
- 5.2.20 In addition to direct access to ACRA's central BO register, LEAs in Singapore also have broad powers to obtain BO information from AML/CFT obligated entities, FIs and DNFBPs, and the legal persons themselves, for any investigations into potential offences. The STRO also has the power to require any legal or natural persons to disclose any document or information it may require for analysis, which includes information on the BO of legal persons.

Case Study 3 – False lodgements of basic information (Share capital) with the Registrar of Companies

In August 2021, ACRA received intelligence from a law enforcement agency that a company's paid-up share capital of EUR 15 billion was potentially misleading.

Investigations by ACRA showed that in February 2021, the director and sole shareholder (Natural Person H) of a Singapore incorporated Company authorised a CSP to lodge a document with ACRA stating the Company's paid-up share capital as EUR 15 billion, when the Company had not in fact been paid the amount for the allotment of its ordinary shares. As a result, publicly available basic information of the Company with the Company Registrar had inaccurately shown the Company's paid-up share capital as EUR 15 billion.

Investigations into the matter revealed that Natural Person H knew that the amount had not been paid up when he authorised the CSP to make the filing. Natural Person H was prosecuted by ACRA for an offence under section 157(1) of the Companies Act 1967 for failing to use reasonable

²⁹ Joint FATF-Egmont Group Report on the *Concealment of Beneficial Ownership* published in July 2018.

diligence in the discharge of his duties as a director and was successfully convicted in January 2024 to a fine.

Subsequently, the Company's information had also been rectified to show a paid-up share capital of EUR 100,100.

Additional controls imposed by ACRA as the Registrar of Companies

5.2.21 As the Registrar of Companies, ACRA has imposed a suite of measures to mitigate the misuse of Companies, including:

(i) Pre and post incorporation screenings

All applications for the formation of Companies are screened by ACRA to ensure that its proposed directors are not disqualified to act as director due to reasons such as bankruptcy or conviction of offences involving fraud or dishonesty. These applications are also screened for national security concerns. A Company may only be registered by ACRA after its application passes through these screening processes. After a Company is incorporated, ACRA routinely screens all officers and shareholders in its registers against lists of known adverse information (including relevant UN sanctions lists).

(ii) Proactive monitoring and identification of potential inactive Companies for strike off

Given that all Companies, legitimate or otherwise, start with no operations, assets or business activities, the determination of whether a Company is a shell company that is potentially used for illicit purposes can typically only be made post-incorporation. In particular, inactive Companies are exposed to a higher risk of potential misuse as they may be taken over by criminals seeking to exploit their existing banking facilities or their transaction history to legitimise suspicious transactions. To this end, ACRA monitors and identifies Companies displaying indicators of inactivity, and initiates the process of striking off such Companies. Since 2019, ACRA has successfully struck off over 20,000 inactive Companies, preventing such Companies from any subsequent misuse.

(iii) Ensure the accuracy and completeness of BO information maintained within the central BO register

Leveraging on data analytics to identify potentially inaccurate BO information, ACRA conducts approximately 400 annual inspections and stern enforcement actions are taken against any non-compliances.

Case study 4 – Enforcement action against individual for declaring false BO information to ACRA

As part of ACRA's proactive review of nominee directors associated with higher risks, investigations were carried out on an individual (Natural Person Q) and the Companies in which he was a nominee director of.

Investigations revealed that Natural Person Q was a director, shareholder and RQI of a CSP whose clients were predominantly foreign nationals. In addition to the incorporation of Companies in Singapore, Natural Person Q also provided nominee directorship services in his personal capacity, and he acted as a nominee director for more than 140 Singapore incorporated Companies. ACRA's investigations revealed that Natural Person Q had falsely listed himself as the beneficial owner of

not less than ten Companies by instructing his employees to make the false filings with the Registrar of Companies. As a result, the BO information of those Companies was inaccurate.

As a result of the breaches, ACRA cancelled the registrations of the CSP and its associated RQI in 2022. On 26 August 2024, Natural Person Q was convicted in State Court 7A for three charges under s401(2A) of the Companies Act 1967 for falsely listing himself as the beneficial owner of several Companies. Upon conviction, Natural Person Q was fined SGD 9,000 per charge amounting to a total fine of SGD 27,000 and disqualified from acting as a director for 5 years.

- (iv) Advisory to Singapore residents that may be acting as nominee directors of shell companies

ACRA has leveraged on data analytics to conduct regular profiling exercises to identify Singapore residents that are likely to be acting as nominee directors of shell companies. Since 2019, approximately 36,000 cautionary letters have been sent to identified individuals to alert them to the relevant risks involved in their appointments and remind them of their duties as directors.

- (v) Enforcement action against nominee directors whose Companies are non-compliant with their regulatory requirements

ACRA conducts in-depth reviews and checks on higher-risk individuals that are identified through data analytics and further enriched with intelligence. Since 2019, ACRA had taken enforcement actions (including fines and prosecutions) against more than 40 nominee directors, each found to have held directorships of a significant number of Companies, ranging from 57 to 583 directorships. On conviction, prosecuted individuals were fined and disqualified from acting as a director for a period of five years. Investigations revealed that these individuals had failed to hold annual general meetings and/or to file annual returns for numerous Companies under their directorship. Some individuals had also been found to have submitted false and misleading statements, including on their Companies' beneficial owners to ACRA, which they have since rectified³⁰.

Case study 5a – Enforcement action against a nominee director

Between 2020 and 2021, Natural Person X ran a CSP which serviced predominantly foreign clients. The CSP worked with foreign agents to incorporate Companies in Singapore for the clients.

When incorporating Companies for the foreign clients, the clients were registered as directors and shareholders, and Natural Person X was registered as the Company's corporate secretary and director to fulfil Singapore's requirement for every Company to have a locally resident director. As a nominee director, Natural Person X assisted the foreign clients to set up corporate bank accounts in Singapore and some of those bank accounts were subsequently used to receive and launder BEC scam proceeds.

On 18 December 2023, Natural Person X was convicted for the following offences:

- a) Five charges under section 175 and 5 charges under section 197 of the Companies Act 1967 for failing to hold the annual general meeting and file the annual return for five Companies. Another 20 charges relating to 10 other Companies for the same offences, were taken into

³⁰ in some cases, the companies were instead struck off.

consideration for the purpose of sentencing. Upon his conviction, Natural Person X was fined SGD 1,200 per charge, amounting to a total fine of SGD 12,000.

- b) Five charges under s401(2A)(a) of the Companies Act 1967 for lodging five documents “*Change of Financial Year End*” in respect of five Companies with the Registrar of Companies knowing that those documents were false in a material respect, by declaring in each document that the relevant period for changing the financial year for each Company has not expired when he knew that the said period had in fact expired. Another 10 charges relating to 10 Companies for the same offences were taken into consideration for the purpose of sentencing. Natural Person X was fined SGD 9,000 per charge, amounting to a total fine of SGD 45,000.

Natural Person X was sentenced to a fine of SGD 57,000. Natural Person X was also convicted of a further four charges under s157(1) of the Companies Act 1967 for failing at all times to act honestly and use reasonable diligence in the discharge of the duties of his or her office. Natural Person X was sentenced to a total of four weeks imprisonment.

Pursuant to the Court’s Order, Natural Person X was disqualified from acting as a director of any Company or being directly or indirectly involved in the management of a Company, for a period of five years.

Case study 5b – Enforcement actions taken by ACRA against nominee directors

In 2019, ACRA took enforcement action against 21 individuals, each found to have held multiple directorships of Companies in Singapore. Investigations revealed that these individuals had failed to hold annual general meetings and/or to file annual returns for numerous Companies under their directorship.

The highest number of charges tendered in court against one of these individuals was 94 charges. Prosecution for six cases had since concluded, and the highest fine imposed by the State Courts was SGD 57,600. In addition to receiving fines, these six individuals have also been disqualified from acting as directors for five years. The remaining cases are ongoing.

(vi) Intelligence sharing within government agencies

Lists of individuals suspected to be nominee directors of shell companies are periodically disseminated to relevant agencies, in support of their respective risk-based supervision and/or to enrich the identification of networks of bad actors threatening Singapore’s AML/CFT system.

ACRA’s supervision of the CSP sector

5.2.22 As highlighted in section 5.2.9, residents of Singapore may directly create legal persons using Singpass while non-resident foreign nationals would transact through a CSP that is registered with ACRA. Singapore’s laws also required Companies to have at least one locally resident director. CSPs are therefore an important gatekeeper in preventing bad actors from gaining access to a Singapore incorporated Company or other legal persons.

5.2.23 CSPs in Singapore are required to be registered with ACRA, and act through individuals registered with ACRA as RQIs³¹. All directors, partners, and managers of a CSP must meet

³¹ To be an RQI, an individual must meet criteria prescribed by ACRA.

minimum fit and proper requirements. The CSP may not be registered if any of its directors, partners or managers have been convicted of offences involving fraud or dishonesty that is punishable with imprisonment for 3 months or more, if they are undischarged bankrupts, or if they have had their prior CSP registration cancelled in the past two years. Other professional service providers like lawyers and accountants that may assist their customers to set up Companies and/or file documents with ACRA, would also have to be registered with ACRA as an CSP and would be supervised as such. This is in addition to the supervision of their AML/CFT obligations as lawyers or accountants by their respective sector supervisors.

- 5.2.24 The Accounting and Corporate Regulatory Authority (Filing Agents and Qualified Individuals) Regulations 2015 set out terms and conditions applicable to CSPs and RQIs. This includes requirements for CSPs to perform AML/CFT measures such as Customer Due Diligence (“CDD”), which includes identifying and verifying the identities of the beneficial owners of their customers. Enhanced Customer Due Diligence (“ECDD”) requirements are also applicable for higher-risk customers and customers whom they do not meet physically. CSPs are also required to carry out ongoing monitoring of their customers and required to file STRs if they come across suspicious activity in the course of their business.
- 5.2.25 In July 2024, Singapore further strengthened the regulatory framework for the CSP sector through the Corporate Service Providers Act 2024. Key changes include requiring all persons carrying on a business in Singapore of providing corporate services to be registered with ACRA, introduction of fines of up to SGD 100,000 for errant CSPs and their senior management that do not comply with their AML/CFT obligations, requiring nominee directors by way of business to arranged only through CSPs and for CSPs to be satisfied that these appointed nominee directors meet fit and proper requirements. These enhancements are expected to be implemented in early 2025.
- 5.2.26 Since 2015, ACRA has regularly issued and updated guidelines for CSPs to provide clarifications on their AML/CFT obligations, key ML/TF risk indicators to assist CSPs in identifying their key threats. In addition, ACRA also publishes periodic guidance papers highlighting the key control weaknesses observed during inspections.
- 5.2.27 ACRA has also implemented a comprehensive risk-focused supervisory programme to ensure that CSPs fulfil their AML/CFT obligations. When assessing the risk of each CSP, ACRA takes a broad range of risk factors into consideration. These include the profile of the CSP and its clientele, the types of services provided, compliance history and intelligence received from LEAs and other sector supervisors.
- 5.2.28 Since introducing the AML/CFT regime for CSPs in May 2015, ACRA has completed more than 2,900 CSP inspections³². These inspections focus on key ML/TF risk concerns for the sector, such as measures taken to prevent ML/TF, proper identification, verification, and record keeping. Some common breaches identified include inadequate internal policies, procedures and controls, failure to conduct proper risk assessments as well as failure to screen customers. ACRA conducts additional follow-up inspections on CSPs that are found to be non-compliant with their AML/CFT requirements to ensure that their deficiencies are remediated. In instances where the identified deficiencies were not rectified, ACRA has imposed sanctions, which include financial penalties as well as the suspension or cancellation of the CSP and RQI’s registrations.

³² As of April 2024.

- 5.2.29 ACRA also publishes a list of cancelled and suspended CSPs and RQIs on its webpage for public awareness with case facts provided in egregious cases for industry deterrence. Upon the cancellation of their registration, the CSP and RQI will also be barred from re-registration for a minimum of two years. Any application for registration after that will be subject to closer scrutiny to ensure that the persons satisfy the requisites for registration, including fit and proper requirements. From January 2021 to August 2024, ACRA cancelled the registrations of 36 CSPs and RQIs.

Case Study 6a – Sanction imposed by ACRA against a CSP for facilitating the creation of shell companies used to launder the proceeds of crime

In October 2021, ACRA received information from the RTIG suggesting that illicit payments arising from overseas bribery offences had been laundered through three Singapore incorporated shell companies. These payments were believed to have been facilitated through the use of fictitious invoices. Subsequently, ACRA commenced investigations against the directors of the shell companies, the CSP who had facilitated the creation of the shell companies, and the purported mastermind behind the scheme, Person L.

Investigations revealed that the appointed directors of the three shell companies were negligent in their duties. They did not have oversight or knowledge over the operations of the Companies. They were also not aware of the use of the Companies' bank accounts and had given control over the Companies and their bank accounts to Person L. This resulted in the entities being exploited for illicit purposes.

Investigations also revealed that the CSP which had facilitated the creation of the shell companies had been negligent in the discharge of its duties. Despite knowing that the appointed directors were not beneficial owners of the Companies, the CSP filed their details as such with ACRA on Person L's instructions. In fact, the CSP knew that Person L was the actual beneficial owner of the Companies.

ACRA cancelled the CSP and the RQI's registrations in January 2022 and investigations for offences are still ongoing.

Case Study 6b – Individuals investigated for facilitating the setup of shell companies which have been misused for ML

CPIB investigated a case involving the suspected laundering of foreign corruption proceeds through Singapore bank accounts held by Singapore shell companies. The setting up of these shell companies and their bank accounts were facilitated by a CSP, which was set up by the accused on behalf of their foreign customers. Using the CSP as a front, the accused would also procure nominee directors for the Companies and would instruct these directors to open accompanying corporate bank accounts. Thereafter, access to operate these bank accounts via internet banking credentials and the security token would be handed over by the CSP to the foreign customers. On some occasions, the accused acted as the nominee director himself.

In total, 13 nominee directors were found to have been used to create 54 shell companies for the CSP's foreign customers. Flow-through transactions amounting to approximately USD 3 million and EUR 5 million were observed to be transacted through the Singapore bank accounts of two of the shell companies created via this scheme. Assistance from foreign authorities and FIU were sought via international cooperation channels. However, there were no further leads to suggest that the nominee directors of the shell companies investigated were involved in ML activities. Eventually, prosecution was initiated against six nominee directors, including the accused person who set up

the CSP for cheating offences and all six were convicted, with the most recent conviction in January 2024. The registration of the CSP involved was cancelled for AML/CFT breaches in 2021.

5.2.30 To raise CSPs' awareness of their AML/CFT requirements, ACRA introduced mandatory training and proficiency test requirements for CSPs seeking to register or renew as CSPs. ACRA has also worked closely with professional bodies such as the Chartered Secretaries Institute of Singapore ("CSIS") and the Institute of Singapore Chartered Accountants ("ISCA") to uplift professional standards within the sector. ACRA actively participates in various outreach sessions with the professional bodies such as the annual CSP conference organised by CSIS and bi-annual industry updates. At such events, ACRA has taken the opportunity to discuss and share topics such as the role of CSPs during the COVID-19 pandemic, and best practices for the prevention of financial crimes, and invited CAD to share insights on suspicious transaction reports filed by CSPs. ACRA also actively promotes AML/CFT publications, including those by FATF, that may be relevant to the CSP sector to strengthen AML/CFT awareness and to encourage the incorporation of best practices within the sector.

MAS' supervision of the banking sector

5.2.31 Consistent with international typologies, Singapore has also noted that some legal persons (particularly, shell companies) are being misused for laundering of illicit funds through layering or concealment of ownership of illicitly obtained assets in certain instances.

5.2.32 Given the significant global role of Singapore's financial sector, banks in Singapore are susceptible to misuse via transactions or business activities with Companies or structures (both domestic and foreign), often established with professional expertise. Shell and front companies have been observed to be misused for ML, foreign tax evasion, foreign corruption, and proliferation financing/sanctions evasion. In particular, front companies pose greater challenges for banks given the comingling of legitimate and illegitimate funds within their transactions.

5.2.33 Banks in Singapore are regulated by MAS and are required to comply with MAS Notice 626 on *Prevention of Money Laundering and Countering the Financing of Terrorism* and its accompanying guidelines. These include requirements to conduct CDD (including the identification and verification of the beneficial owners for customers who are legal persons), ECDD for higher-risk customers perform transaction monitoring, maintain records and to file STRs. In particular, where a customer is a legal person that demonstrates certain characteristics (e.g. no apparent operation or business activity, no economic purpose for its corporate structure), banks are required to assess whether the customer presents a higher ML/TF for ECDD to be applied.

5.2.34 Due to the scale and complexity of its business, the banking sector is expected to maintain robust AML/CFT controls commensurate with its risks. MAS has been applying a rigorous risk-based supervisory approach to banks, comprising on-site and off-site supervision, that is augmented by the use of data analytics. Where weaknesses are observed, findings are shared with the banks as well as their head offices and home supervisors (in the case of foreign banks) as well as through industry guidance. In all cases, the banks have to demonstrate that deficiencies identified are effectively rectified in a timely manner. Where breaches of laws and regulations administered by MAS are identified, MAS will take the necessary supervisory actions and impose sanctions, proportionate to the severity of the breach.

- 5.2.35 MAS' supervisory efforts as well as discussions with banks at ACIP indicate that the banks are aware of their ML/TF risks and have implemented AML/CFT processes and measures to mitigate such risks. This includes the consideration of ML/TF risk indicators as part of customer risk assessment, in the course of performing CDD and for ongoing transaction monitoring and surveillance, as well as conducting screening checks.
- 5.2.36 Banks in Singapore have been encouraged to use data analytics and advanced detection techniques to identify higher-risk customers, including those exhibiting shell company and/or complex structure characteristics, for closer scrutiny. They also apply network analysis to their customers' transactions and counterparties. With network analysis, banks have been able to: (i) uncover hidden relationships, which would have gone undetected had they looked at each customer in isolation; and (ii) improve the quality and timeliness of the STRs filed and provide the LEAs with better leads. Where banks encounter or suspect any property to be connected to criminal activity, they have duly filed STRs. In fact, between 2019 and 2023, more than half of the STRs received by STRO were filed by the banking sector.
- 5.2.37 To ensure that banks continue to be vigilant in key risk areas and stay alert to emerging threats and vulnerabilities, MAS has performed a series of thematic inspections covering key priority focus areas and ML threats to Singapore including transaction monitoring, risks involving the misuse of legal persons and complex structures. These thematic inspections have also allowed MAS to benchmark best practices across FIs, identify new emerging typologies and useful case studies. Following these thematic inspections, MAS had shared its key observations and supervisory expectations with the broader industry to enhance their risk awareness and uplift their AML/CFT practices. This includes publishing guidance and information papers, such as *Strengthening Controls to Detect and Mitigate the Risks of Misuse of Legal Persons/Arrangements and Complex Structures* published in August 2023³³, *Effective Practices to Detect and Mitigate the Risk of Misuse of Legal Persons* in June 2019³⁴.
- 5.2.38 The banking industry itself has also taken a pro-active approach to addressing ML/TF risk through the Association of Banks in Singapore ("ABS"). ABS has sought to uplift its members' AML/CFT standards through regular workshops and conferences, engaging MAS on supervisory issues on behalf of its members and clarifying industry best practices.
- 5.2.39 Overall, the banking industry's level of AML/CFT compliance, awareness of ML risks and AML/CFT requirements, and ability to identify and prevent ML are relatively strong. This is particularly true amongst the major banks which make up the bulk of financial sector activity in Singapore, and which are also innovating in the adoption of AML/CFT data analytics to boost their effectiveness and efficiency. However, smaller, less-resourced banks may lag behind their larger counterparts. To this end, MAS and ABS are working closely to uplift their controls through supervisory and industry outreach.
- 5.2.40 Moving forward, MAS continues to explore opportunities to enable greater collaboration amongst FIs to target key ML/TF risks and allow for more effective detection and disruption of major bad actors. MAS recently collaborated with six major banks to establish a digital platform for the exchange of risk information to enhance detection of illicit networks and actors across the sector, with the misuse of legal persons as one of the key risks. This platform is known as COSMIC – Collaborative Sharing of ML/TF Information and Cases.

³³ [Strengthening AML/CFT controls on risks of misuse of legal persons/arrangements and complex structures](#)

³⁴ [Effective Practices to Detect and Mitigate the Risk from Misuse of Legal Persons](#)

Other controls

- 5.2.41 Consistent with Singapore's multi-prong strategy to AML/CFT, Companies are also subjected to AML/CFT checks when they transact through other FIs and DNFBPs. Such checks include CDD measures, identification and verification of beneficial owner(s), verifying a customer's source of wealth and ongoing monitoring requirements. All persons, including FIs and DNFBPs, are obliged to file STRs if they know or have reasonable grounds to suspect that any property may be connected to a criminal activity.
- 5.2.42 These other FIs and DNFBPs are in turn supervised by their respective sectorial regulators for compliance with their AML/CFT requirements. The overall ML and TF risks faced by these gatekeepers, individual sector characteristics and AML/CFT controls within each sector are available in *Money Laundering Risk Assessment Report Singapore 2024* and *Terrorism Financing National Risk Assessment 2024*.
- 5.2.43 Bearer shares and share warrants enable legal ownership in legal persons to be concealed from their basic and BO information and elevate a legal person's risk of misuse, including for ML and TF purposes. Since 29 December 1967, Section 66 of the Companies Act 1967 prohibits Singapore incorporated Companies from issuing share warrants³⁵. Bearers of share warrants had until 1 July 2017 to surrender the warrants issued before 29 December 1967 for cancellation and have their names entered in the register of members of the issuing Companies. Outstanding warrants that were not surrendered by 1 July 2017 would have been cancelled by the issuing Companies and will cease to carry equity rights. With effect from 31 March 2017, Section 383 of the Companies Act 1967 also voided the issuance and transfer of bearer shares and share warrants in Singapore by Registered Foreign Companies.

Conclusion

- 5.2.44 The assessment of threats, vulnerabilities and controls found that Companies are of the following residual risk:
- Higher risk for ML
 - Medium low risk for TF

5.3 UNREGISTERED FOREIGN COMPANIES

Key exposures to threats

- 5.3.1 Foreign legal persons that are created in another jurisdiction and wish to establish a place of business or carry on business in Singapore must be registered with ACRA and are subjected to transparency measures highlighted in section 5.2 of this assessment.
- 5.3.2 Foreign legal persons are not regarded as carrying on business in Singapore if they only conduct specific activities within the jurisdiction. These activities could include, maintaining a bank account, investing in funds or holding property, effecting any sale through an independent contractor, and conducting legal activities/proceedings. Such entities that do not need to be registered with ACRA or any other government agencies in Singapore are collectively known as, Unregistered Foreign Companies.

³⁵ Share warrants are documents stating that the bearer of the warrant is entitled to the shares therein specified and which enables the shares to be transferred by delivery of the warrant.

- 5.3.3 Between 2020 and 2023, Unregistered Foreign Companies have been featured in ML investigations carried out by Singapore's LEAs. Similar to Singapore incorporated Companies, ML investigations into Unregistered Foreign Companies feature a wide range of predicate offences. Unregistered Foreign Companies do not feature in TF investigations carried out by Singapore.

Vulnerabilities assessment

Size and significance, and availability of basic and BO information

- 5.3.4 The information of Unregistered Foreign Companies is available via gatekeepers such as FIs and relevant DNFBPs (e.g. real estate salespersons, agencies, developers and lawyers) in their conduct of CDD, which the Unregistered Foreign Companies may transact through. Based on a 2018 legal persons survey conducted by ACIP with participating banks and reaffirmed through a follow-on survey in 2024, approximately 9% of legal persons banking through those institutions are incorporated outside of Singapore. *Prima facie*, the number of Unregistered Foreign Companies with sufficient links to Singapore is appreciable.
- 5.3.5 In addition to relationships established with FIs (particularly banks and licensed trust companies), Unregistered Foreign Companies are also observed to own real estate in Singapore.
- 5.3.6 Unregistered Foreign Companies are subject to AML/CFT checks conducted by individual FIs and DNFBPs even though they are not subjected to the transparency measures that are applicable to Singapore incorporated Companies and Registered Foreign Companies, which are imposed by a Registrar like ACRA. In such cases, basic and beneficial information may be obtained from the company registers in their originating countries and/or through the AML/CFT obligated parties (i.e. FIs and DNFBPs) which Unregistered Foreign Companies transacted through. This would mean that in the absence of robust checks (including on the beneficial owners) in the incorporating jurisdictions, such Unregistered Foreign Companies could raise additional vulnerabilities.
- 5.3.7 Unlike other types of legal persons, Unregistered Foreign Companies have a limited number of or no natural persons within Singapore's jurisdiction to assist in investigations conducted by Singapore LEAs and subsequently be held accountable for offences that may be committed.
- 5.3.8 Consequently, vulnerabilities posed by Unregistered Foreign Companies are expected to closely align with those faced by the respective AML/CFT obligated parties³⁶ (such as banks, licensed trust companies, real estate intermediaries, lawyers etc.) through which the transactions are conducted.

Controls

- 5.3.9 LEAs in Singapore also have broad powers to obtain basic and BO information from AML/CFT obligated entities, FIs and DNFBPs, and the legal persons themselves, for any investigations into potential offences. The STRO also has the power to require any legal or natural persons to disclose any document or information it may require for analysis, which includes information on the BO of legal persons.

³⁶ As assessed in the Money Laundering Risk Assessment Report Singapore 2024 and Terrorism Financing National Risk Assessment 2024.

5.3.10 MAS' supervision of the banking sector³⁷ is similarly applicable for Unregistered Foreign Companies.

MAS' supervision of licensed trust companies

5.3.11 Despite not carrying on a business in Singapore, Unregistered Foreign Companies may also engage the services of licensed trust companies, which are subject to similar strict AML/CFT obligations as banks and supervised by MAS as an FI. Such AML/CFT requirements include assessing and understanding the risks presented by their customers (taking into account various factors such as business profile and activities). Overall, licensed trust companies' level of AML/CFT compliance, awareness of ML/TF risks and AML/CFT requirements, and ability to identify and prevent ML are relatively strong.

5.3.12 The misuse of legal persons has been a priority risk area for the financial sector, including banks and licensed trust companies. As with all customers, for Unregistered Foreign Companies that do not carry on a business in Singapore, the checks would include steps to understand the nature of the customer's business, purpose of the customer relations and transactions, and take necessary mitigation measures where relevant.

CEA's supervision of real estate salespersons and agencies

5.3.13 When facilitating property transactions for clients that are legal persons, including Unregistered Foreign Companies, real estate salespersons and estate agencies are required to conduct CDD, which includes identifying and verifying the entity's name, legal form, proof of existence, constituting instrument, directors' or senior officers' identities, and registered office and principal business addresses. They must also understand the entity's business nature and ownership/control structure. Additionally, real estate salespersons are required to identify and verify beneficial owners, including individuals with controlling ownership, those exercising control through other means, or senior management if no other controllers are identified. They would also need to determine if beneficial owners are politically-exposed persons ("PEPs"). If transactions involving Unregistered Foreign Companies and foreign nationals are considered high risk, estate agencies and salespersons additionally need to conduct enhanced due diligence measures, which includes obtaining senior management approval, establishing the source of wealth and funds, and implement other risk-appropriate measures.

Supervision of other FIs and DNFBPs

5.3.14 Consistent with Singapore's multi-prong strategy to AML/CFT, Unregistered Foreign Companies are also subjected to AML/CFT checks when they transact through other FIs and DNFBPs. Such checks include CDD measures, identification and verification of beneficial owner(s), verifying a customer's source of wealth and ongoing monitoring requirements. All persons, including FIs and DNFBPs, are obliged to file STRs if they know or have reasonable grounds to suspect that any property may be connected to a criminal activity.

5.3.15 These other FIs and DNFBPs are in turn supervised by their respective sectorial regulators for compliance with their AML/CFT requirements. The overall ML and TF risks faced by these gatekeepers, individual sector characteristics and AML/CFT controls within each sector are available in *Money Laundering Risk Assessment Report Singapore 2024* and *Terrorism Financing National Risk Assessment 2024*.

³⁷ See sections 5.2.31 to 5.2.40

Conclusion

5.3.16 The assessment of threats, vulnerabilities and controls found that Unregistered Foreign Companies are of the following residual risk:

- Higher risk for ML
- Medium low risk for TF

5.4 LIMITED LIABILITY PARTNERSHIPS

Key exposures to threats

5.4.1 LLPs are registered under the Limited Liability Partnerships Act 2005 and may establish a permanent relationship with an FI and can legally own property in its name.

5.4.2 This form of legal person provides its owners with the flexibility of operating as a partnership while maintaining the benefits of a separate legal personality. LLPs exhibit the following features, which could make it more attractive for misuse:

- (i) LLPs have separate legal personalities, allowing for the separation of the natural persons and the partnership itself.
- (ii) Every LLP shall have at least two partners and partners can be natural persons, Companies or another LLP.
- (iii) Ability to appoint other natural persons as managers to manage the affairs of the LLP. Similar to Companies, this feature also allows the beneficial owner(s) identity to be concealed from the LLP's basic information.
- (iv) The corporate veil provided by LLPs allows for legal separation between the personal assets of its partners and the debts incurred by the LLP. However, a partner may be held personally liable for claims from losses resulting from his/her own wrongful act or omission.

5.4.3 Between 2020 and 2023, LLPs do not commonly feature in ML investigations carried out by Singapore's LEAs. Similarly, the number of STRs filed with the STRO, vis-à-vis LLPs' proportional share of legal persons population is lower than those observed for Companies. International typologies also do not prominently feature this form of legal persons as an existing or emerging risk. LLPs do not feature in TF investigations carried out by Singapore's LEAs.

Vulnerabilities assessment

Ease of formation and registration, size and significance, and features and characteristics

5.4.4 Creation of LLPs can be performed online via ACRA's electronic transaction system (www.bizfile.gov.sg). Residents of Singapore may do so using Singpass or engage the services of a CSP. As Singpass is only available to residents of Singapore, all non-resident foreign nationals who wish to incorporate an LLP or be involved in an existing LLP via partnership can only do so through a CSP that is registered with ACRA, and be subject to AML/CFT procedures by the gatekeeper.

5.4.5 Similar to Companies, the Limited Liability Partnerships Act 2005 requires that every LLP must have at least one manager who is ordinarily resident in Singapore. A manager is defined as any person who is concerned in or takes part in the management of the LLP.

- 5.4.6 Annually, managers of LLPs are required to lodge a declaration with ACRA that the LLP either appears or does not appear to be able to pay its debts as they become due in the normal course of business. LLPs are also required to keep accounting and other records that will sufficiently explain its transactions and financial position, and enable the preparation of profit and loss accounts and balance sheets which give a true and fair view of its state of affairs.
- 5.4.7 Comparatively, LLPs have lesser statutory obligations and are generally considered to be less cumbersome and costly to maintain as compared to Companies. As of 31 December 2023, there are 16,922 LLPs accounting for approximately 2.8% of total legal persons registered in Singapore. Comparatively, the number of LLPs is significantly lower than that of Companies and Businesses. In practice, LLPs are structures that tend to appeal to professionals such as the legal, accounting and other professionals who subscribe to the more traditional partnership model of doing business, but would like to have some of the benefit of separate legal personality.

Availability of basic and BO information, attractiveness for non-resident use and cross-border risk exposure

- 5.4.8 As the Registrar of LLPs, ACRA ensures that basic and BO information of Singapore incorporated LLPs are centrally maintained, accurate and kept up to date. Depending on the information required, members of public can electronically access a LLP's basic information for a nominal fee without any undue delays.
- 5.4.9 As of 31 December 2023, 21.3% of LLPs have one or more partners that are non-residents of Singapore. However, only 3.9% of LLPs have partners that are legal persons and 0.9% have partners that are foreign legal persons. Taken together with the fact that LLPs only account for 2.8% of Singapore legal persons, LLPs' involvement in complex ownership structures and its attractiveness for non-resident use are not apparent in Singapore's context.

Controls

- 5.4.10 The measures on corporate transparency³⁸, ACRA's supervision of the CSP sector³⁹ and MAS' supervision of the banking sector⁴⁰ are similarly applicable for LLPs.
- 5.4.11 ACRA ensures the accuracy and completeness of BO information maintained within the central BO register by leveraging on data analytics to identify potential inaccurate BO information and conducts inspections on the LLP. Stern enforcement actions are taken against any non-compliances.
- 5.4.12 Consistent with Singapore's multi-prong strategy to AML/CFT, LLPs are also subjected to AML/CFT checks when they transact through other FIs and DNFbps. Such checks include CDD measures, identification and verification of beneficial owner(s), verifying a customer's source of wealth and ongoing monitoring requirements. All persons, including FIs and DNFbps, are obliged to file STRs if they know or have reasonable grounds to suspect that any property may be connected to a criminal activity.

³⁸ See sections 5.2.19 to 5.2.20

³⁹ See sections 5.2.22 to 5.2.30

⁴⁰ See sections 5.2.31 to 5.2.40

Conclusion

5.4.13 The assessment of threats, vulnerabilities and controls found that LLPs are of the following residual risk:

- Medium high risk for ML
- Low risk for TF

5.5 VARIABLE CAPITAL COMPANIES

Key exposures to threats

5.5.1 Variable Capital Companies (“VCCs”) are a form of legal person that were first introduced in 2020, through the Variable Capital Companies Act 2018, to strengthen Singapore’s position as a leading hub in Asia for fund management and fund domiciliation. This form of legal person is intended for use by investment funds and exhibits features that address limitations found in other types of legal persons. VCCs can be formed as a single standalone fund or as an umbrella fund containing two or more sub-funds.

5.5.2 VCCs may establish permanent relationships with FIs and can legally own property in its name. This form of legal person exhibits the following features:

- (i) VCCs have separate legal personalities, allowing for the separation between its members and the legal person itself.
- (ii) Ability to appoint other natural persons as directors and manager to manage the affairs of the VCC.
- (iii) Required to appoint fund manager to manage its investments.
- (iv) The separate legal personality allows a VCC to establish business relationships with other legal or natural persons, and to own financial and non-financial assets. Similar to Companies, this corporate veil allows for the legal separation between the personal assets of its members and the debts of the VCC, protecting the personal assets of its members from the corporation’s actions that resulted in debt.

5.5.3 The legal separation between VCCs and its members, and its ability to appoint other natural persons to manage its affairs⁴¹, raises its potential risk of misuse for illicit purposes, including ML. There are also specific control measures that ACRA and MAS have put in place to address these risks (*see Controls section below*).

5.5.4 Since its introduction, VCCs do not feature in ML and TF investigations carried out by Singapore’s LEAs. The number of STRs filed with the STRO on VCCs is also lower than those observed for Companies and other legal persons. Review of these STRs also do not reveal any prevalent ML/TF typologies specific to the use of VCCs.

⁴¹ Which could have the potential effect of concealing the identities of its beneficial owners.

Vulnerabilities assessment

Ease of formation and registration, size and significance, and features and characteristics

- 5.5.5 Creation of VCCs can be performed online via ACRA’s electronic transaction system (www.vcc.bizfile.gov.sg). Residents of Singapore may do so using Singpass or engage the services of a CSP. As Singpass is only available to residents of Singapore, all non-resident foreign nationals who wish to incorporate a VCC, or be involved in an existing VCC via changes in members or directors can only do so through a CSP that is registered with ACRA, and be subjected to AML/CFT checks by the gatekeeper.
- 5.5.6 As of 31 December 2023, there are 1,024 VCCs accounting for approximately 0.2% of legal persons registered in Singapore. Comparatively, the number of VCCs is significantly lower than that of Companies, Businesses and other types of legal person. It is comparable to Limited Partnerships (“LPs”), which is a type of legal person that is similarly used for fund management and investment funds.
- 5.5.7 Since its introduction in 2020, the population of VCCs has experienced significant year-on-year growth of 31% – 155%.
- 5.5.8 The incorporation of VCCs requires significantly higher costs as compared to other legal persons⁴². In addition to initial setup costs, VCCs have higher continuing obligations such as the engagement of a fund manager that is regulated by MAS to manage the properties or to operate the collective investment schemes of the VCC.
- 5.5.9 In a feature similar to Companies and LLPs, VCCs are required to appoint at least one director who ordinarily resides in Singapore. Additionally, VCCs are required to also have at least one of its directors who is either a director or qualified representative of its appointed manager.
- 5.5.10 VCCs are obliged to appoint only fit and proper⁴³ persons as directors. ACRA, as the Registrar of VCCs, actively screens all appointed directors and may direct a VCC to remove or replace a director if ACRA is satisfied that the individual is not a fit and proper person.
- 5.5.11 Despite the higher costs associated with incorporation and onerous ongoing obligations, VCCs remain an attractive option for structuring investment funds due to its flexibility in distribution and return of capital, segregation of assets and liabilities between sub-funds, cost efficiencies and confidentiality. These key benefits contributed to VCCs’ popularity for both residents and non-residents of Singapore.

Availability of basic and BO information

- 5.5.12 Similar to Companies and other legal persons, ACRA ensures that basic information of Singapore incorporated VCCs is centrally maintained, accurate and kept up to date. Such basic information includes a VCC’s officers, managers, sub-funds and registered office address.

⁴² Setup fee of SGD 8,015 (Consisting of SGD 15 for VCC name application and SGD 8,000 for incorporation of VCC). For fund managers who wish to re-domicile their existing overseas investment funds with comparable structures by transferring their registration to Singapore as VCCs, application of transfer of registration amounts to SGD 9,000 and an additional SGD 400 sub-fund registration fee for each sub-fund.

⁴³ The factors for determining whether a person is fit and proper are prescribed in section 5 of the Variable Capital Companies Regulations 2020.

Depending on the information required, members of public can electronically access a company's basic information for a nominal fee without any undue delays.

- 5.5.13 To maintain confidentiality, VCCs separately maintain their registers of members⁴⁴ and are not required to centrally lodge such information with ACRA. The financial statements of each variable capital company and its sub-funds are also not made publicly available though they are centrally lodged with ACRA as part of its annual returns and accessible by Singapore's LEAs.
- 5.5.14 VCCs are subject to AML/CFT requirements, and they are required to put in place robust controls to detect and deter the flow of illicit funds through Singapore's financial system. Such controls include the need for VCCs to identify and know their customers (including beneficial owners), conduct regular account reviews, and monitor and report any suspicious transactions promptly.

Controls

- 5.5.15 ACRA's supervision of the CSP sector⁴⁵ and MAS' supervision of the banking sector⁴⁶ are similarly applicable for VCCs.
- 5.5.16 In addition to accessing basic information maintained centrally with ACRA, LEAs in Singapore also have broad powers to obtain BO information from AML obligated entities, FIs and DNFBPs, and the legal persons themselves, for any investigations into potential offences.
- 5.5.17 Consistent with Singapore's multi-prong strategy to AML/CFT, VCCs are also subjected to AML/CFT checks when they transact through other FIs and DNFBPs. Such checks include CDD measures, identification and verification of beneficial owner(s), verifying a customer's source of wealth and ongoing monitoring requirements. FIs and DNFBPs are also obliged to file STRs if they know or have reasonable grounds to suspect that any property may be connected to a criminal activity.
- 5.5.18 VCCs are required to appoint an eligible financial institution⁴⁷ to conduct the necessary checks and perform the measures⁴⁸ to enable the VCC to comply with its AML/CFT requirements. These eligible financial institutions are AML/CFT obligated entities and regulated and supervised by MAS. Please see *Money Laundering Risk Assessment Report Singapore 2024* Box Story 6 for more details on MAS' AML/CFT supervision of VCC.
- 5.5.19 VCCs are also required to appoint permissible fund manager, that are registered and regulated by MAS⁴⁹ to manage its investments.

⁴⁴ Section 82 of the Variable Capital Companies Act 2018 requires the register to be disclosed upon request, to public authorities to administer or enforce any written law.

⁴⁵ See sections 5.2.22 to 5.2.30

⁴⁶ See sections 5.2.31 to 5.2.40

⁴⁷ As set out in appendix 2 of MAS Notice VCC-N01 Prevention of Money Laundering and Countering the Financing of Terrorism – Variable Capital Companies

⁴⁸ VCCs remain accountable for their AML/CFT requirements, even though they have to delegate implementation of their AML/CFT requirements to an FI regulated by MAS for AML/CFT.

⁴⁹ Generally, a VCC will have to be managed by a fund manager which is a licensed fund management company (i.e. a holder of a capital markets services licence for fund management under section 86 of the Securities and Futures Act 2001), a registered fund management company (i.e. a corporation exempted from holding a capital markets services licence under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations) or a person exempted under the section 99(1)(a), (b), (c), or (d) of the

5.5.20 Taken together, these control measures imposed on VCCs substantially contribute to mitigate their risk of being misuse, particularly for ML and TF purposes.

Conclusion

5.5.21 The assessment of threats, vulnerabilities and controls found that VCCs are of the following residual risk:

- Medium low risk for ML
- Low risk for TF

5.6 SOLE PROPRIETORSHIPS AND GENERAL PARTNERSHIPS

Key exposures to threats

5.6.1 Sole Proprietorships and General Partnerships (collectively known as, Businesses) are registered under the Business Names Registration Act 2014 (“BNRA”) and may establish permanent relationships with FIs but cannot legally own property in its name. These forms of legal persons are not separate legal personalities and do not allow for separation with its natural person(s).

5.6.2 A Sole Proprietorship is a business owned and operated by a single individual, Company or LLP. In Sole Proprietorships, the owner has full autonomy in the running of the business and is exposed to all debts and losses incurred by the proprietorship.

5.6.3 A General Partnership is a business owned by at least two partners and up to a maximum of 20 partners⁵⁰. In a General Partnership, control of the business is exercised by every partner and they are liable for all debts and losses of the partnership.

5.6.4 Between 2020 and 2023, Businesses have been featured in ML investigations carried out by Singapore’s LEAs. The quantity of STRs filed with the STRO, vis-à-vis their proportional share of the legal persons population is lower than those observed for Companies. Businesses also do not feature in TF investigations carried out by Singapore’s LEAs.

Vulnerabilities assessment

Ease of formation and registration, size and significance, and features and characteristics

5.6.5 Creation of Businesses can be performed online via ACRA’s electronic transaction system (www.bizfile.gov.sg). Residents of Singapore may do so using Singpass or engage the services of a CSP. As Singpass is only available to residents of Singapore, all non-resident foreign nationals who wish to incorporate Businesses, or access an existing legal person via changes

Securities and Futures Act 2001 from the requirement to hold a capital markets services licence to carry on business in fund management (i.e. a bank licensed under the Banking Act 1970, a merchant bank approved under the Monetary Authority of Singapore Act 1970, a finance company licensed under the Finance Companies Act 1967, or a company or cooperative society licensed under the Insurance Act 1966).

⁵⁰ This maximum number of partners does not apply to professional partnerships which are formed for the purpose of carrying on any profession which may be exercised only by persons who possess the qualifications laid down in written law for the purpose of carrying on that profession. Examples of such firms include lawyers registered under the Legal Profession Act 1966 and architects registered under the Architects Act 1991.

in ownership or partnership can only do so through a CSP that is registered with ACRA, and be subjected to AML/CFT checks by the gatekeeper.

Similar to Companies, an observed typology for the abuse of Sole Proprietorship involves locally resident individuals who knowingly or unknowingly surrendered their Singpass login credentials to third parties for the creation of Sole Proprietorships that are subsequently misused for ML. To mitigate against this form of abuse, ACRA had put in place measures requiring such individuals to undergo enhanced authentication processes including facial verification when they attempt to perform higher-risk transactions, such as the registration of Sole Proprietorships. Furthermore, the CMA was amended in May 2023 to criminalise the act of sharing Singpass credentials without proper verification and obtaining or dealing in Singpass credentials unless for lawful reasons.

Case study 7 – Misuse of Singpass for the creation of Sole Proprietorship that was subsequently used for ML

Lured by a lucrative offer of money from a stranger on a chat application, Natural Person G took up the stranger’s offer to sell his Singpass credentials for SGD 8,000 to SGD 15,000.

After handing over his Singpass credentials and password, the information was used to register a Sole Proprietorship in March 2023. Natural Person G also acted on the stranger’s instructions to open a corporate bank account under the Sole Proprietorship’s name and subsequently handed over control of its bank account.

The corporate bank account and two other bank accounts in Natural Person G’s name were used to process a high volume of banking transactions, of which SGD 953,893 were verified to be criminal proceeds.

Natural Person G pleaded guilty to two charges of unauthorised disclosure of his access code under the Computer Misuse Act and abetting cheating. He was sentenced to 11 months and two weeks jail on 23 July 2024.

The Sole Proprietorship’s registration ceased in May 2023, approximately two months after its registration, by Natural Person G.

- 5.6.6 Unlike most other legal persons, Businesses do not exist in perpetuity and their registrations must be renewed every one to three years at a fee, failing which their registrations will lapse, and the Businesses will cease to exist.
- 5.6.7 In a similar feature as Companies and LLPs, Businesses that are owned by non-resident foreign nationals must appoint an authorised representative⁵¹ who ordinarily resides in Singapore. The authorised representative is personally responsible for the discharge of all obligations attaching to the individual proprietor or partners, and subjected to the same responsibilities, liabilities and penalties.
- 5.6.8 The absence of a separate legal personality for Businesses makes them a less attractive choice for the conduct of business that is of a larger scale. This in turn also reduces their attractiveness for misuse. The exposure to unlimited personal liability by its owners, partners and their authorised representatives reduces the likelihood of individuals being willing to act

⁵¹ Commonly known as a manager. The authorised representative or manager is a natural person at least 18 years of age and otherwise of full legal capacity.

as nominees or authorised representatives for the setup of such legal persons. Furthermore, the inability for Businesses to own real estate or properties is an added disincentive for use as an asset-holding vehicle.

- 5.6.9 As Businesses have fewer statutory obligations and are generally considered to be less cumbersome and costly to maintain as compared to Companies, they remain a prevalent structure that is created in Singapore. As of 31 December 2023, there are 143,471 Businesses accounting for approximately 24% of total legal persons registered in Singapore. Comparatively, Businesses represent the second largest form of legal persons in Singapore.

Availability of basic and BO information, attractiveness for non-resident use and cross-border risk exposure

- 5.6.10 As the Registrar of Businesses, ACRA ensures that basic information of Singapore registered Businesses are centrally maintained, accurate and kept up to date. Depending on the information required, members of public can electronically access a Business' basic information for a nominal fee without any undue delays.
- 5.6.11 The BNRA requires that persons that carry on business as a nominee for another person to disclose⁵² to ACRA the particulars of the nominator or beneficiary, including the full name, nationality and residential address. Furthermore, the BNRA specifically prohibits any person from acting as a nominee of a foreign company.
- 5.6.12 As of 31 December 2023, 14.9% of Businesses have owners/partners that are non-residents of Singapore but only 4.3% have owners/partners that are legal persons and 0.1% are foreign legal persons. The BNRA also specifically prohibits the registration of Businesses by Unregistered Foreign Companies. Overall, Businesses' involvement in complex ownership structure is not apparent and its attractiveness for non-resident use is moderate.

Controls

- 5.6.13 ACRA's supervision of the CSP sector⁵³ and MAS' supervision of the banking sector⁵⁴ are similarly applicable for Businesses.
- 5.6.14 In addition to accessing basic information maintained centrally with ACRA, LEAs in Singapore also have broad powers to obtain BO information from AML/CFT obligated entities, FIs and DNFBPs, and the legal persons themselves, for any investigations into potential offences.
- 5.6.15 Consistent with Singapore's multi-prong strategy to AML/CFT, Businesses are also subjected to AML/CFT checks when they transact through other FIs and DNFBPs. Such checks include CDD measures, identification and verification of beneficial owner(s), verifying a customer's source of wealth and ongoing monitoring requirements. All persons, including FIs and DNFBPs, are obliged to file STRs if they know or have reasonable grounds to suspect that any property may be connected to a criminal activity.

⁵² Section 7(1) of the BNRA and Regulation 8 of the Business Names Registration Regulations 2015.

⁵³ See sections 5.2.22 to 5.2.30

⁵⁴ See sections 5.2.31 to 5.2.40

Conclusion

5.6.16 The assessment of threats, vulnerabilities and controls found that Sole Proprietorships and General Partnerships are of the following residual risk:

- Medium low risk for ML
- Low risk for TF

5.7 LIMITED PARTNERSHIPS

Key exposures to threats

- 5.7.1 LPs are registered under the Limited Partnerships Act 2008 and may establish permanent relationships with FIs but cannot legally own property in its name. An LP does not have a separate legal personality but allows for certain level of separation with its natural persons.
- 5.7.2 An LP is a business owned by a minimum of two partners, consisting of at least one general partner and one limited partner, and there are no limits to the total number of partners in an LP.
- 5.7.3 The general partner of an LP can take part in its management, and is exposed to all debts and losses incurred by the partnership. Conversely, a limited partner's liability is capped at the amount of its agreed investment in the LP. A limited partner must not take part in the management of a limited partnership.
- 5.7.4 General and limited partners may be individuals or corporations⁵⁵ such as Companies, LLPs or Unregistered Foreign Companies.
- 5.7.5 Between 2020 and 2023, LPs do not commonly feature in ML investigations carried out by Singapore's LEAs. Similarly, the number of STRs filed with the STRO, vis-à-vis LPs' proportionate share of legal persons population is lower than those observed for Companies. International typologies also do not prominently feature this form of legal persons as an existing or emerging risk.
- 5.7.6 LPs are commonly used for structuring private equity investments and investment funds, where such vehicles would in turn have to deal with an AML/CFT regulated entity such as a bank or fund management companies. Characteristics such as the ability to limit the liability of investors, flexibility in dictating how profits are distributed between the partners, and tax transparency make them ideal for use as private investment vehicles. As of 31 December 2023, approximately 48.0% of LPs are established primarily for the purpose of establishing a fund for investment.

Vulnerabilities assessment

Ease of formation and registration, size and significance, and features and characteristics

5.7.7 Creation of LPs can be performed online via ACRA's electronic transaction system (www.bizfile.gov.sg). Residents of Singapore may do so using Singpass or engage the services of a CSP. As Singpass is only available to residents of Singapore, all non-resident foreign

⁵⁵ Including any body corporate formed or incorporated or existing in Singapore or outside Singapore but does not include any corporation sole, co-operative society or registered trade union.

nationals who wish to incorporate an LP, or be involved in an existing legal person via changes in partnership can only do so through a CSP that is registered with ACRA, and be subjected to AML/CFT checks by the gatekeeper.

- 5.7.8 Unlike most other legal persons, LPs do not exist in perpetuity and their registrations must be renewed every one to three years at a fee, failing which their registrations will lapse, and the partnership will cease to exist.
- 5.7.9 In a similar feature as Companies and LLPs, the Limited Partnerships Act 2008 requires that every LPs whose general partners do not ordinarily reside in Singapore must appoint a local manager. The local manager is personally responsible for discharging all obligations of the LP and is subjected to the same responsibilities, liabilities and penalties as the general partner.
- 5.7.10 The absence of a separate legal personality of LPs and exposure to unlimited personal liability to the general partners and local managers reduces the likelihood of individuals being willing to act as a nominee or local manager for the setup of such legal persons. Furthermore, the inability for LPs to own real estate or properties is an added disincentive for use as an asset holding vehicle.
- 5.7.11 As of 31 December 2023, there are 727 LPs accounting for approximately 0.1% of total legal persons registered in Singapore. Comparatively, the number of LPs is significantly lower than that of Companies, Businesses and other legal persons.

Availability of basic and BO information, attractiveness for non-resident use and cross-border risk exposure

- 5.7.12 As the Registrar of LPs, ACRA ensures that basic information of Singapore registered LPs are centrally maintained, accurate and kept up to date. Depending on the information required, members of public can electronically access an LP's basic information for a nominal fee without any undue delays.
- 5.7.13 For LPs established primarily for the purpose of establishing a fund for investment⁵⁶, particulars of their limited partners are not publicly available to maintain confidentiality. Nonetheless, such records are centrally lodged with ACRA and accessible to Singapore's LEAs.
- 5.7.14 The Limited Partnership Act 2008 requires that persons that carry on business as a nominee for another person to disclose⁵⁷ to ACRA the particulars of the nominator or beneficiary, including the full name, nationality and residential address. Similarly, such records are accessible to Singapore's LEAs.
- 5.7.15 As of 31 December 2023, 71.4% of LPs have one or more general or limited partners that are legal persons such as Companies. Comparatively, this proportion of corporate ownership is higher than any other legal persons and indicative of LPs' potential involvement in complex ownership structures.
- 5.7.16 At the same time, 8.2% of LPs have general or limited partners that are non-residents of Singapore. Taken together, LPs' involvement in complex ownership structures is high and its attractiveness for non-resident use is moderate.

⁵⁶ Where the fund is managed by a general partner of the limited partnership who is a licensed fund manager, or a licensed fund manager appointed to manage the fund by a general partner.

⁵⁷ Section 3 and Second Schedule of the Limited Partnership Act 2008.

Controls

- 5.7.17 ACRA's supervision of the CSP sector⁵⁸ and MAS' supervision of the banking sector⁵⁹ are similarly applicable for LPs.
- 5.7.18 In addition to accessing basic information maintained centrally with ACRA, LEAs in Singapore also have broad powers to obtain BO information from AML/CFT obligated entities, FIs and DNFBPs, and the legal persons themselves, for any investigations into potential offences.
- 5.7.19 LPs established primarily for the purpose of establishing a fund for investment are required to have its funds managed by a general partner who is a licensed fund manager or appoint a licensed fund manager to manage its funds. Licensed fund managers are AML/CFT obligated entities and are regulated and supervised by MAS.
- 5.7.20 Consistent with Singapore's multi-prong strategy to AML/CFT, LPs are also subjected to AML/CFT checks when they transact through other FIs and DNFBPs. Such checks include CDD measures, identification and verification of beneficial owner(s), verifying a customer's source of wealth and ongoing monitoring requirements. All persons, FIs and DNFBPs, are obliged to file STRs if they know or have reasonable grounds to suspect that any property may be connected to a criminal activity.

Conclusion

- 5.7.21 The assessment of threats, vulnerabilities and controls found that LPs are of the following residual risk:
- Medium low risk for ML
 - Low risk for TF

⁵⁸ See sections 5.2.22 to 5.2.30

⁵⁹ See sections 5.2.31 to 5.2.40

5.8 OTHER LEGAL PERSONS IN SINGAPORE

Overview

- 5.8.1 Other forms of legal persons that may be constituted in Singapore include Societies, Co-operative Societies and Mutual Benefit Organisations.
- 5.8.2 Collectively, these forms of legal persons are not of significant size and they account for approximately 1.7% of all legal persons that are formed in Singapore. These legal persons are typically formed for specific social purposes and any economic activities carried out are in pursuant to those causes. A combination of legislative and constitutional requirements provides such legal persons features that prevent a single individual from unilaterally controlling its activities, without oversight from other officer holders or its members. Such features are particularly disincentivising for individuals seeking to misuse these legal persons for ML and TF.
- 5.8.3 Between 2020 and 2023, these forms of legal persons do not feature in ML and TF investigations carried out by Singapore's LEAs and the quantity of STRs filed with the STRO are similarly negligible.
- 5.8.4 The Registrars of these legal persons regulate their registrations and compliance with their continuing obligations. Basic information on these legal persons is lodged with their respective Registrars and certain basic information is made available for public access.
- 5.8.5 These forms of legal persons are also subjected to AML/CFT checks when they transact through FIs and DNFBPs. Such checks include CDD measures, identification and verification of beneficial owner(s), verifying a customer's source of wealth and ongoing monitoring requirements. All persons, including FIs and DNFBPs, are obliged to file STRs if they know or have reasonable grounds to suspect that any property may be connected to a criminal activity.
- 5.8.6 Overall, this RA found that these legal persons are of low residual risk to ML and TF.

Societies

- 5.8.7 Societies are clubs, companies, partnerships or associations of 10 or more persons, that are not registered under any other law. Societies are formed under the Societies Act 1966 and the Registrar of Societies is the Ministry of Home Affairs. As of 31 December 2023, there are 8,413 registered Societies in Singapore.
- 5.8.8 Formation of Societies can be performed online via MHA's electronic transaction system (<https://eservices2.mha.gov.sg/ros>). The 3 key office bearers⁶⁰ of a society are required to verify and submit the application online using their Singpasses. The formation of certain Societies further requires additional information such as sources of funds, information on the employment of foreign nationals, interest of ethnic groups, religious beliefs and identities of religious leaders to be furnished before an application may be granted.
- 5.8.9 Societies may establish permanent relationships with FIs and can own property under its name.

⁶⁰ Namely, the President, Secretary and Treasurer.

- 5.8.10 Societies operate autonomously and are governed by their own constitution. They may not be constituted for specific business objectives and any income or property of a society may only be applied towards the promotion of the society's objectives. Societies are managed by their committee/council members who must be natural persons. Individual particulars of all committee/council members are lodged with the Registrar of Societies. Similar to Companies, Societies are required to submit annual returns with the Registrar of Societies. Societies with annual gross income or expenditure exceeding SGD 500,000 are further required to have their financial statements audited by a Singapore registered public accountant.
- 5.8.11 Public access to a society's constitution and annual returns is through MHA's electronic transaction system. Members of Societies are additionally able to access their society's financial statements.

Co-operative Societies

- 5.8.12 Co-operative Societies ("Co-ops") are membership-based enterprises that operate on the principles of self-help and mutual assistance. Members of Co-ops are also its owners and most such legal persons have social missions to benefit the greater society in which they operate.
- 5.8.13 Co-ops are formed under the Co-operative Societies Act 1979 and through the Registrar of Co-operative Societies, the Ministry of Culture, Community and Youth. As of 31 December 2023, there are 80 Co-ops in Singapore, representing an insignificant proportion of Singapore legal persons. In addition to the proposed name, registered office and objectives, further information such as member particulars of at least five persons or two institutional members, that is either a society or trade union, proposed by-laws, business plan and three-year financial projections must also be submitted as part of the application process.
- 5.8.14 In addition to registration, the Registrar of Co-operative Societies also regulates co-operative Societies' organisation and management, dissolution and oversees the custody and utilisation of net funds from dissolved co-operatives.
- 5.8.15 A Co-op may establish permanent relationships with FIs and can own property under its name.
- 5.8.16 Selected by its members, a Co-op is managed by a Committee of Management that is responsible for managing its affairs. Annually, all Co-ops are required to hold annual general meetings and submit its financial statements and annual reports to the Registrar of Co-operative Societies no later than six months after the end of its financial year. It is also mandatory for a Co-op's financial statement to be audited by a Singapore registered public accountant.
- 5.8.17 At any point in time, the Registrar of Co-operative Societies publicly publishes⁶¹ the population of registered Co-ops that are in existence, including their names, unique entity numbers, registered office address, contact details and date of registration.

Mutual Benefit Organisations

- 5.8.18 MBOs are membership-based entities which provide relief to their members. Members' subscriptions are pooled together and utilised for pre-determined purposes such as medical expenses, payments on births or deaths in families, relief or maintenance of members in

⁶¹ <https://www.mccy.gov.sg/sector/co-ops>

unemployment. MBOs typically feature members from a common profession, area of residence, clan or religion.

- 5.8.19 As of 31 December 2023, there are 65 MBOs, representing an insignificant proportion of Singapore legal persons. Most of these MBOs are a result of historical legacies and were registered from 1960 to 1970 that continue to exist to fulfil their obligations and the most recent entrant was registered in July 2014.
- 5.8.20 MBOs are formed under the Mutual Benefit Organisations Act 1960 and through the Registrar of MBOs, the Ministry of Culture, Community and Youth. In addition to registration, the Registrar of MBOs also seeks to protect the collective interests of MBOs' members by promoting prudence and accountability for the use of its funds.
- 5.8.21 A MBO may establish permanent relationships with FIs and can own property under its name.
- 5.8.22 Selected by its members, a MBO is managed by a Committee of Management that is responsible for managing its affairs. Annually, all MBOs are required to lodge annual returns with the Registrar of MBOs containing an account of its receipts, expenditure, balance sheet for the year. It is also mandatory for the accounts to be audited by a Singapore registered public accountant.
- 5.8.23 At any point in time, the Registrar of MBOs publicly publishes the population of registered MBOs that are in existence, including their names, unique entity numbers, registered office address and date of registration.

6. INTERNATIONAL COOPERATION

6.1 The transnational nature of ML/TF crimes, including those involving legal persons, necessitates the Singapore authorities to engage in international cooperation to combat such activities.

6.2 Singapore authorities have rendered and requested assistance in criminal matters to and from foreign jurisdictions, by way of formal requests for assistance made pursuant to the Mutual Assistance in Criminal Matters Act 2000 (“MACMA”) and applicable mutual legal assistance treaties, and informal requests for assistance through FIU and LEA channels.

(i) Formal cooperation

MACMA allows Singapore to render a wide range of mutual legal assistance to foreign jurisdictions on the basis of reciprocity, without a need for a bilateral mutual legal assistance treaty. Mutual legal assistance is generally available notwithstanding the absence of dual criminality if the assistance does not involve coercive actions. Where dual criminality is required, it is satisfied if both the requesting country and Singapore criminalise the conduct underlying the offence, regardless of how each country labels the offence. The wide range of assistance under MACMA includes search and seizures, taking of evidence and the production of information (including BO information of legal persons).

(ii) Informal cooperation

In addition to formal channels, Singapore LEAs, FIU and tax authority continuously seek opportunities for other forms of (informal) cooperation such as exchange of information, cross-border joint investigations and membership in relevant operational platforms to encourage the exchange of information, including information on the BO of legal persons. Singapore LEAs may also exchange information with its foreign counterparts through other informal LEA channels, including through INTERPOL.

Singapore has been a member of the Egmont Group⁶² since 2000 and amendments to the CDSA came into force on 1 April 2019 to allow STRO to exchange financial intelligence, including intelligence relating to BO information, with the more than 150 FIU members of the Egmont Group.

6.3 Further information on international cooperation is available in section 4.5 of Money Laundering Risk Assessment Report Singapore 2024.

Case study 8 – MLA request from a foreign jurisdiction

Singapore received an MLA request from European country on 20 January 2022. The foreign authorities were investigating activities undertaken in various locations through various bank accounts which they suspected were being used to disguise the illegal origin of criminal proceeds amounting to a total amount of EUR 275,927,038.66 and USD 346,936,871.46.

Their investigations revealed that several commercial companies were registered in the name of foreign citizens and significant amounts of money were subsequently transferred to those accounts by entities from all over the world. Based on the investigative findings, these companies did not

⁶² An international body of FIUs recognised by the FATF and organised to enhance international cooperation.

perform any actual business operations. It was identified that two such transfers were made from a bank account referable to a Singapore company to an account held for another entity.

The foreign authorities requested, amongst others, business organisation information about the Singapore company, including but not limited to its ownership structure, identity of its authorised representatives, and business operations from 2018. AGC corresponded and co-ordinated with ACRA to obtain the necessary documents. The request for the company records of the Singapore company was promptly rendered and executed on 26 April 2022.

7. CONCLUSION

- 7.1 As an international financial centre and global trading hub, Singapore is inherently vulnerable to ML/TF risks, including those related to the misuse of legal persons (whether they are created in Singapore or elsewhere). However, Singapore has a robust legal framework, effective supervisory tools and our LEAs have strong, broad powers to carry out enforcement.
- 7.2 Since 2017, the misuse of legal persons (especially shell companies) has been assessed as a priority risk concern for Singapore, and Singapore has taken a whole-of-government approach to tackle this risk concern. This includes imposing a slew of relevant legal amendments to improve corporate transparency, measures taken to enhance the availability and accuracy of BO information maintained in Singapore, strengthening enforcement actions and allowing for enhanced international cooperation. Relevant AML/CFT supervisors have also raised industry awareness of the relevant risks in relation to legal persons, and leveraged data analytics techniques and tools to improve their supervision of their sectors and that controls are sufficiently robust to deter, detect and prevent legal persons' misuse. Swift and decisive actions are taken on a Whole-of-Government approach when networks of bad actors are identified for abusing Singapore's system.
- 7.3 While recognising that legal persons serve legitimate economic purposes, Singapore will also continue to remain vigilant and to closely monitor the ever-shifting typologies involving the misuse of legal persons. Singapore ensures that current and emerging risks are mitigated, and the spectrum of measures being imposed are risk-appropriate and remain effective. Singapore will also continue to partner industry, maintain close working relationships with relevant local and foreign law enforcement, intelligence, regulatory and supervisory counterparts to address risk concerns and continue to take relevant steps to ensure that it is a hard target for criminals looking to misuse legal persons through Singapore.

ANNEX: TECHNIQUES & TYPOLOGIES USED IN THE MISUSE OF LEGAL PERSONS

8. ANNEX: TECHNIQUES & TYPOLOGIES USED IN THE MISUSE OF LEGAL PERSONS

- 8.1 In the misuse of legal persons, criminals employ a range of techniques aimed at avoiding detection, obfuscating BO and the origins of illicit assets.
- 8.2 While significant controls are in place to mitigate against the misuse of legal persons, legal persons are inherently exposed to various threats and vulnerabilities that continue to allow legal persons to be misused for illicit activities.
- 8.3 In this section, common techniques and typologies used by criminals in the misuse of legal persons are featured to enhance industry's awareness and to assist users in their respective risk assessments and implementation of risk mitigation measures. The following techniques and typologies are further elaborated in the following sections:
- (i) Multi-jurisdictional splitting
 - (ii) Anomalous complex ownership and control structures
 - (iii) Use of nominee directors
 - (iv) Use of CSPs
 - (v) Misused identities of natural persons
 - (vi) Use of private investment funds

Multi-jurisdictional splitting

- 8.4 Criminals commonly misuse corporate structures by deliberately splitting company formation, asset ownership/administration, location of professional intermediaries, and location of bank accounts across different jurisdictions to prevent detection of illicit activities and evade regulations. Like other financial centre, Singapore faces risks from legal persons, particularly shell companies, created in foreign jurisdictions.
- 8.5 The following case from Money Laundering Risk Assessment Report Singapore 2024 demonstrates how Companies incorporated in Singapore and shell companies incorporated overseas were misused to deceive Singapore banks into disbursing trade financing loans.

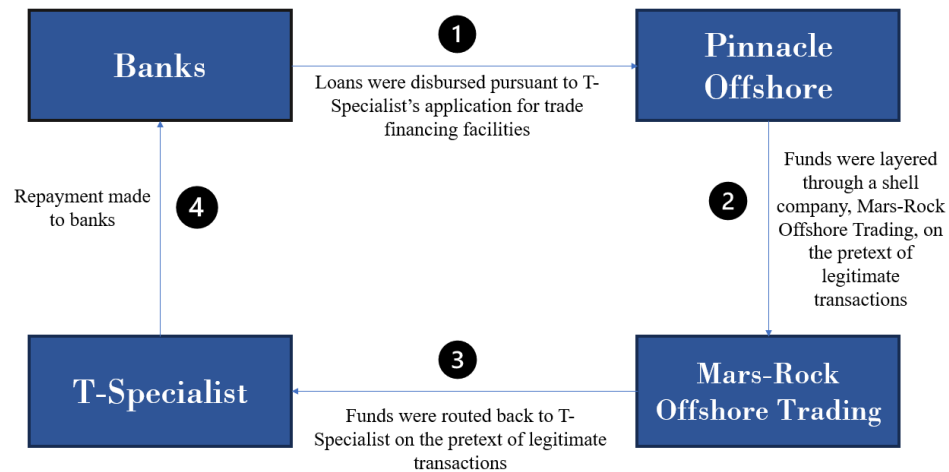
Case Study 9 – TBML involving the misuse of shell Companies to deceive banks into disbursing trade financing loans

After receiving foreign intelligence on illicit procurement networks involving the Democratic People's Republic of Korea ("DPRK"), CAD initiated investigations into potential PF offences committed by persons in Singapore. CAD's investigation was supported by STRs filed on relevant entities of interest.

Arising from cash flow issues, Ng Kheng Wah, the director of Singapore incorporated Company, T-Specialist International Pte Ltd ("T-Specialist"), devised an invoice financing fraud to generate liquidity for the Company. Ng Kheng Wah used 81 fictitious invoices purportedly issued by Pinnacle Offshore, a company incorporated outside Singapore, to T-

Specialist to deceive five banks in Singapore into granting more than USD 95 million⁶³ in trade financing loans to T-Specialist for the supply of non-existent goods.

Proceeds from the fraud were first disbursed from the five banks to Pinnacle Offshore, a shell company. The proceeds were then layered through Mars-Rock Offshore Trading, another shell company incorporated outside Singapore, and which maintained a bank account outside Singapore. Eventually, Mars-Rock transferred the illicit proceeds to T-Specialist and other companies under Ng Kheng Wah 's control.



To give the banks the impression that the transactions were genuine, evidence of trade between Pinnacle Offshore, Mars-Rock Offshore Trading and T-Specialist, such as false trade documents/invoices were created and shown to the banks.

Further, when the banks disbursing the trade financing loans to Pinnacle Offshore requested for shipping documents to evidence the movement of goods, T-Specialist falsely informed the banks that Mars-Rock Offshore Trading had delivered their goods to Pinnacle Offshore by road, and hence that there were no shipping documents (e.g. bills of lading/airway bills) available. In fact, no goods were shipped at all, and the banks had no other means of verifying the movement of the goods based on open-source databases.

In 2019, Ng Kheng Wah was convicted of fraud offences, whilst T-Specialist was convicted of ML offences. Apart from the above-mentioned offences, Ng Kheng Wah and T-Specialist were also convicted for PF offences. Ng Kheng Wah, through T-Specialist, had supplied prohibited luxury items exceeding SGD 6 million to a departmental store chain in the DPRK, in breach of UN sanctions against DPRK. Ng Kheng Wah was sentenced to an imprisonment term of 34 months and T-Specialist was sentenced to a total fine of SGD 880,000.

⁶³ Equivalent to approximately SGD 128.4 million.

- 8.6 The following case shows the laundering of proceeds of investment scam from victims in a foreign jurisdiction and Singapore using a Singapore incorporated Company and several Singapore corporate bank accounts.

Case Study 10 – Case of STR- initiated ML investigations arising from investment scams

In 2018, Singapore’s FIU, STRO, received information regarding bank accounts maintained in Singapore belonging to a Singapore incorporated Company (Company A). The Company had received proceeds of an investment scam from victims in Jurisdiction B. Working closely on the financial intelligence disseminated by the STRO, CAD initiated money laundering investigations.

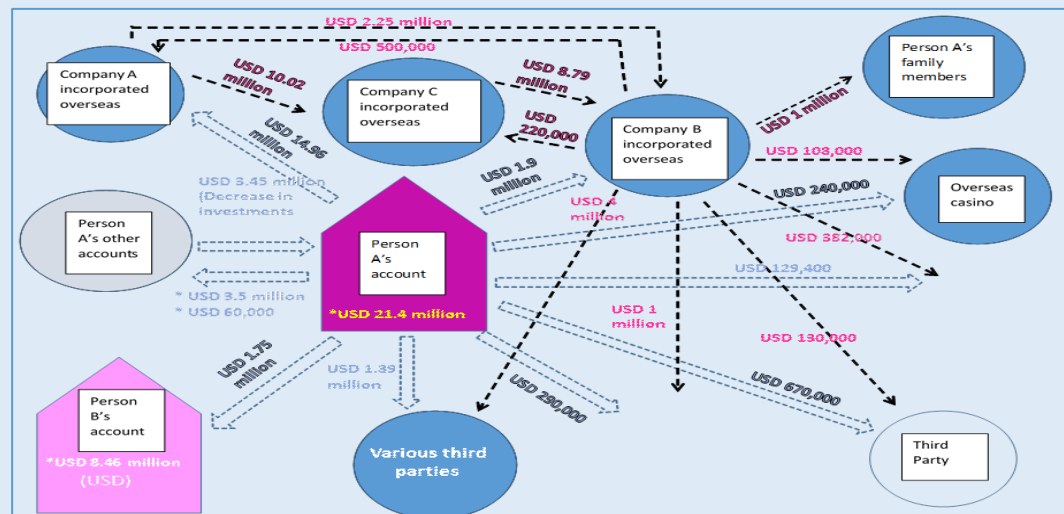
Investigations revealed that Company A was incorporated by Person A. Sometime in 2017, Person A entered into an arrangement with their friend, Person B. Under this arrangement, Person A would assist by facilitating transactions in Company A’s corporate bank accounts on instructions from Person B. Person A would receive a commission for each amount transacted. Investigations found that Person A maintained a total of three corporate accounts for this purpose. Between December 2017 and November 2018, these corporate accounts received a total of USD 1,960,478 and SGD 1,606,191(USD 1.18 million) across 307 inward transfers, of which USD 331,822 and SGD 4,250 were confirmed to be the benefits of criminal conduct arising from investment scams with victims located in both Jurisdiction B and Singapore.

Person A was prosecuted and charged for ML offences committed under the CDSA in Singapore. For recruiting Person A into the arrangement, Person B was convicted and sentenced to 26 months’ imprisonment and fined SGD 70,000 (approx. USD 51,000) for ML offences under the CDSA. The swift conveyance of financial intelligence ensured that the Singapore authorities could take immediate and decisive action – thus preventing the further misuse of Company A and its bank accounts from receiving proceeds of crime.

Anomalous complex ownership and control structures

- 8.7 Risks often emanate from companies with complex and confusing structures, particularly where they involve multi-layered ownership structures and have multi-jurisdictional elements.
- 8.8 Such structures can give the appearance of legitimate movements of funds, making it challenging for FIs and DNFBPs to conduct proper due diligence procedures for BO identification. This, in turn, impairs LEAs’ abilities to investigate these structures. By setting up complex multi-jurisdictional structures, especially where there is no credible reason for doing so, the money flow between such legal persons could be used to divert illicit funds flows, hide payments and facilitate criminals in the movement and laundering of criminal proceeds. Such complexity often obscures the complete picture of illicit activities, hampering detection and prevention efforts.
- 8.9 The following case demonstrates the use of complex and confusing multi-jurisdictional structures of corporate entities to legitimise funds flows.

Case Study 11 – Use of complex and confusing multi-jurisdictional structures of corporate entities to legitimatise funds flows



Persons A and B were appointed as technical advisors to a project. For their services, they were supposed to be paid SGD 29.8 million. Subsequently, negotiations fell through, and Persons A and B were requested to return the funds. However, they failed to do so and intentionally avoided and ignored the requests. As a result, the authorities in Country D initiated investigations against Persons A and B.

As a portion of the funds were transferred into Singapore bank accounts, CAD commenced investigations into potential ML offences and more than SGD 14.9 million was seized from various bank accounts maintained by Persons A and B in Singapore.

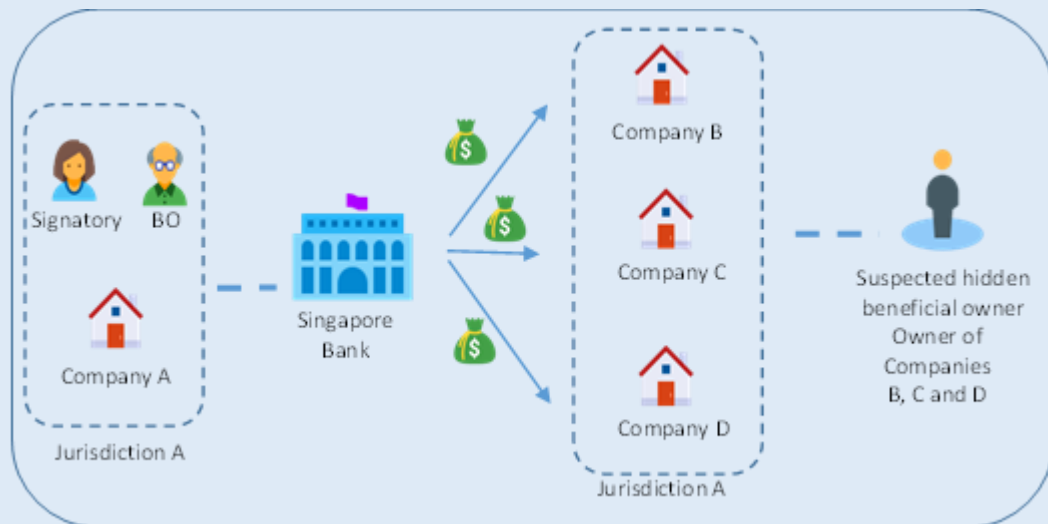
Investigations revealed that most of the criminal proceeds were transferred to accounts belonging to company A and B, which were incorporated overseas, and beneficially owned by Persons A and B respectively. Persons A and B made use of these accounts to launder at least SGD 15 million worth of criminal proceeds. Part of these criminal proceeds were then subsequently transferred to company C (also incorporated overseas), and also beneficially owned by Persons A and B.

The seized monies were eventually released to the authorities in Country D. Person B was convicted and sentenced to 68 months' imprisonment. Person A had absconded to another country and is on the wanted list.

- 8.10 Front companies are sometimes employed to conceal beneficial owners through schemes involving actual business operations. These operations may be based on legitimate activities or, in some cases, rely on fictitious trade documents. The nominal owners of these companies are typically close associates of the beneficial owner or nominees who receive compensation for their services. Opportunities may arise to establish links between the front man and the actual beneficial owner. These connections can be uncovered through various means, including examination of financial transactions, analysis of common identifiers such as addresses, telephone numbers, and email addresses, scrutiny of individuals who provide instructions or control the accounts, such as authorised signatories, and investigation into the company's sources of funding.

- 8.11 The following case study illustrates the complexity of such arrangements. It involves pass-through transactions in a Singapore bank account, believed to be associated with a foreign front company and a hidden ultimate beneficial owner.

Case Study 12 – Pass through transactions in a Singapore bank account involving a foreign company



Company A is incorporated in an offshore location and had a private banking account in Singapore. The declared beneficial owner of company A resided in Singapore and operated a business in Singapore. The authorised signatory to the private banking account resided in another country, Jurisdiction A.

At the point of on-boarding, due diligence checks, which included the verification of the ownership structure, was performed. It was subsequently noted that the authorised signatory of company A was a shareholder of another company, which was majority-owned by a national from Jurisdiction A (suspected hidden beneficial owner).

It was observed that:

- Transfers were made to/from company A's bank account in Singapore with companies B, C and company D, which were domiciled in Jurisdiction A. The declared beneficial owner of company A did not have any known businesses in Jurisdiction A and there were no plausible reasons for the transfers as the companies to which funds were transferred to were not related to Company A, the beneficial owner of company A or the authorised signatory to company A's private banking account.
- An in-depth review was conducted into the account. The review established that companies B, C and D had a common beneficial owner, the Jurisdiction A national mentioned earlier. It was also established that the personal funds deposited into company A's private banking account were from entities affiliated to the national from Jurisdiction A.
- The relationship between the declared beneficial owner to company A and the authorised signatory to its private banking account could not be corroborated by research in the public domain.

The above observations led the bank to conclude that the national from Jurisdiction A may be the hidden beneficial owner to the private banking account.

Use of Nominee Directors

- 8.12 The World Bank has identified a typology where nominee directors are potentially used to conceal the identity of the company's or asset's beneficial owner, hide illicit wealth by obscuring income beneficiaries and circumvent directorship bans due to misconduct. Similar patterns have been observed domestically in Singapore, where nominee directors have been misused to conceal the identity of beneficiaries and/or hide illicit wealth and activities.
- 8.13 Singapore has put in place strong control measures on the misuse of nominee directors, including additional controls imposed by ACRA as the Registrar of Companies to ensure the accuracy and completeness of BO information maintain within the central BO, advisory to Singapore residents that may be acting as nominee directors of shell companies and extensive enforcement action against nominee directors whose Companies are non-compliant with their regulatory requirements. For more information, see section 5.2 of this RA.
- 8.14 The following case is an example of how a nominee director and a Singapore incorporated shell company were misused to perpetrate Goods and Services Tax ("GST") fraud in Singapore.

Case Study 13 – Prosecution of individuals involved in the use of a shell company to perpetrate Missing Trader Fraud involving approximately SGD 114 million of fictitious sales

Between February 2015 and January 2016, a Singapore incorporated GST-registered Company, Company N, purportedly sold high-value electronic goods amounting to approximately SGD 114 million to various businesses. GST was charged on these sales. Company N is alleged to be a shell company without genuine business operations and was used to generate purchase orders and sales invoices to support subsequent GST refund applications by exporters. IRAS received claims in GST refunds amounting to close to SGD 8 million, arising from sales purported to be generated by Company N.

Four men were alleged to be behind Company N's fraudulent operations. Each has been charged for being a knowing party to a fraudulent business, and for the forgery of sales invoices. A fifth man has also been charged for allegedly assisting individuals who were operating Company N, to commit forgery, while a sixth man was charged for his role in being the nominee director of Company N.

Additionally, a seventh man, the director of two Singapore incorporated GST-registered Companies, Company O and Company P, has been charged for his alleged involvement in falsification of accounts. He is alleged to have facilitated the fraud by allowing the two Companies to purchase non-existent goods from company N.

The nominee director of Company N was sentenced to a fine, while the six men have been sentenced to imprisonment of between five and 68 months.

- 8.15 CSPs may facilitate the misuse of legal persons by arranging for individuals to act as resident (or nominee) directors of Singapore incorporated Companies on behalf of foreign customers⁶⁴. The following case illustrates how a CSP's director, acting as the nominee director for several Singapore incorporated Companies, failed to exercise his fiduciary duties. This negligence led to the misuse of the Companies' corporate bank accounts.

Case Study 14 – Pursuing enforcement action against the resident director of Singapore shell companies found to be used for ML

Person A was the director of CSP A. Person A was contacted by Person Z to engage CSP A's corporate secretarial and nominee director services for four Companies that were incorporated several months earlier through another CSP. Person A agreed for CSP A to provide its services to the four Companies and was appointed as their corporate secretary and locally resident director.

Before being appointed as the director of the four Companies, Person A had neither met nor contacted any of the foreign directors and shareholders of the four Companies. He also did not take any steps to verify the identity of Person Z nor checked if she was authorised to represent the foreign directors. For the period he was a director of the four Companies, Person A did not take steps to exercise any supervision over the Companies' activities. Instead, on Person Z's request, Person A couriered the banking tokens and banking documents of the four Companies to foreign addresses in Country Y, where none of the foreign directors or shareholders of the four Companies resided.

As a result of Person A's failure to exercise any supervision over the Companies, the Companies' bank accounts received criminal proceeds of over USD 558,000 within a three month period. The criminal proceeds were linked to BEC and internet love scams, involving multiple local and overseas victims.

Person A was subsequently convicted and sentenced to imprisonment of six weeks for four counts of offences under Section 157(3)(b) of the Companies Act 1967, for failing to exercise reasonable diligence in the discharge of his duties as a director of four Singapore-registered Companies. He was further disqualified from being a director for five years. His RQI registration with ACRA has also been cancelled.

Use of CSPs

- 8.16 CSPs have been observed, both internationally and domestically, to be exploited by criminals for various illicit purposes. These include incorporating shell and front companies, providing nominee directors, facilitating illicit activities, and setting up of bank accounts for receiving or moving illicit proceeds.
- 8.17 Recognising the importance of CSPs in preventing bad actors from gaining access to Singapore incorporated Companies and other legal persons, ACRA has put in place strong measures to ensure compliance with AML/CFT requirements. In July 2024, Singapore further strengthened the regulatory framework for the CSP sector through the Corporate Service Providers Act 2024 and key changes include requiring all entities carrying on a business in Singapore of providing

⁶⁴ In compliance with Section 145 of the Companies Act 1967, which requires every company to have at least one director who is ordinarily resident in Singapore. This allows enforcement action to be taken for breaches of any legal obligation relating to the company, which would not otherwise be able to be applied, if the company were allowed to only have foreign directors.

corporate services to be registered with ACRA, introduction of fines of up to SGD 100,000 for errant CSPs and their senior management that do not comply with their AML obligations, requiring nominee directors by way of business to arranged only through CSPs and for CSPs to be satisfied that its appointed nominee directors meet fit and proper requirements. For more information on measures on CSPs, see sections 5.2.22 to 5.2.30 of this RA.

- 8.18 The following case demonstrates how a CSP was engaged to incorporate shell companies in Singapore that were used to channel illicit scam proceeds through corporate bank accounts of these shell companies.

Case Study 15 – Laundering proceeds from scam incidents using shell companies

Two professional intermediaries and three directors of Singapore incorporated shell companies were prosecuted for their alleged involvement in laundering criminal proceeds.

Between 2016 and 2019, CAD received police reports from scam victims who were allegedly deceived into wiring a total of USD 1,676,737 into the corporate bank accounts of Singapore-registered Companies. Follow-up investigations revealed a professional ML syndicate, which comprised five individuals and seven shell companies, that was involved in the laundering of proceeds from the scam incidents.

CAD found that Person A, a director of a CSP, was engaged by an unidentified foreigner, believed to be engaged in criminal conduct, to incorporate shell companies in Singapore and set up their respective corporate bank accounts. As part of the incorporation process, Person A allegedly engaged Person B, who was a bank officer at that time, to recruit individuals, i.e. Director A, Director B and Director C, to act as directors of the shell companies. Thereafter, control of those corporate bank accounts was transferred to the foreigner via Person A and Person B.

From March 2021 to April 2021, Person A and Person B were charged for ML offences. Director A and C were also charged with failing to carry out their director duties honestly and exercise reasonable diligence. Director B was charged with ML offences and with failing to carry out their director duties honestly and exercise reasonable diligence.

- 8.19 The following case highlighted by ACIP, is an example of how a foreign CSP knowingly established shell companies in Singapore to facilitate the transfer of money-laundering proceeds from overseas to Singapore.

Case study 16 – Foreign CSP knowingly creating shell companies for ML

Person R, a foreign professional intermediary, personally recruited foreign individuals who are resident in Singapore, to become directors of shell companies in Singapore. Thereafter, Person R provided these resident directors with forged documents to open bank accounts in Singapore for these shell companies. A criminal syndicate paid Person R between USD 1,500 and USD 5,000 for each company he successfully incorporated.

Between August 2016 and March 2017, CAD received several complaints from foreign victims based in the United States, Australia, Hong Kong etc. These victims had fallen prey to spoofed emails purportedly sent by their business associates and wired a total sum of USD 660,817.50 into 6 corporate bank accounts in Singapore. Investigations revealed that Person R facilitated the opening of these bank accounts. CAD further identified 19 other

local shell companies related to Person R and seized more than USD 1.1 million in 15 bank accounts.

In October 2019, Person R was convicted of 8 counts of money laundering offences and 22 counts of forgery offences and was sentenced to 88 months' imprisonment.

Misused identities of natural persons

- 8.20 Criminals have been observed to obtain Singpass credentials of third-party natural persons in Singapore through illicit means to facilitate the formation of legal persons that are subsequent misused. The same credentials are subsequently used to establish corporate banking relationships virtually for the legal persons that were formed and used to receive and conduct illicit funds transfers, including cross-border funds transfers. To mitigate against this form of abuse, ACRA had put in place measures requiring such individuals to undergo enhanced authentication processes including facial verification when they attempt to perform higher-risk transactions, such as incorporations.
- 8.21 The following case is an example of Sole Proprietorships being set up and corporate bank accounts opened to facilitate scam proceeds.

Case Study 17 – Opening Sole Proprietorships and corporate bank accounts to facilitate scam proceeds

In a joint operation conducted from 20 to 27 June 2024, CAD, seven Police Land Divisions, and DBS Bank cracked down on corporate money mules in Singapore. The operation resulted in the arrest of three individuals, a 21-year-old man and two women aged 21 and 39, for their suspected involvement in scam-related activities. Authorities seized 40 corporate bank accounts containing over SGD 1.28 million for investigation.

The suspects allegedly facilitated scams by surrendering their Singpass credentials to scammers in exchange for monetary gains of up to SGD 2,000 per account. These credentials were then used to establish Sole Proprietorships and corporate bank accounts, which served as conduits for receiving and transferring money from scam victims. An additional 37 individuals, aged 18 to 59, are currently assisting with investigations for similar activities.

Investigations are ongoing into various offences, including assisting in retaining benefits of criminal conduct and unauthorised disclosure of access codes. These offences carry severe penalties, including imprisonment terms of up to three years and fines of up to SGD 50,000 under relevant Acts. The case highlights the critical need for vigilance in protecting personal credentials and the ongoing challenge of combating scam-related activities in Singapore.

- 8.22 The following case study demonstrates how an individual's Singpass credentials were misused to incorporate multiple Companies and open corporate bank accounts virtually. These accounts were subsequently used to receive funds from victims of various scams.

Case Study 18 – Financial Intelligence led to investigation into company used to receive proceeds of crime

The STRO received information on a BEC scam that occurred in Country A, where nearly USD2.3 million of fraudulent funds were allegedly transferred from legal person X's bank account in Country A to legal person Y's bank account in Singapore.

STRO conducted further analysis and found that legal person Y's bank account received about USD5.6 million in total from legal person X and the funds were transferred to bank accounts in Country B on the same day of receipt. Given that the transaction patterns suggested possible money laundering of proceeds of crime through legal person Y's bank account, STRO disseminated its findings to Country A's FIU and the CAD of the Singapore Police Force.

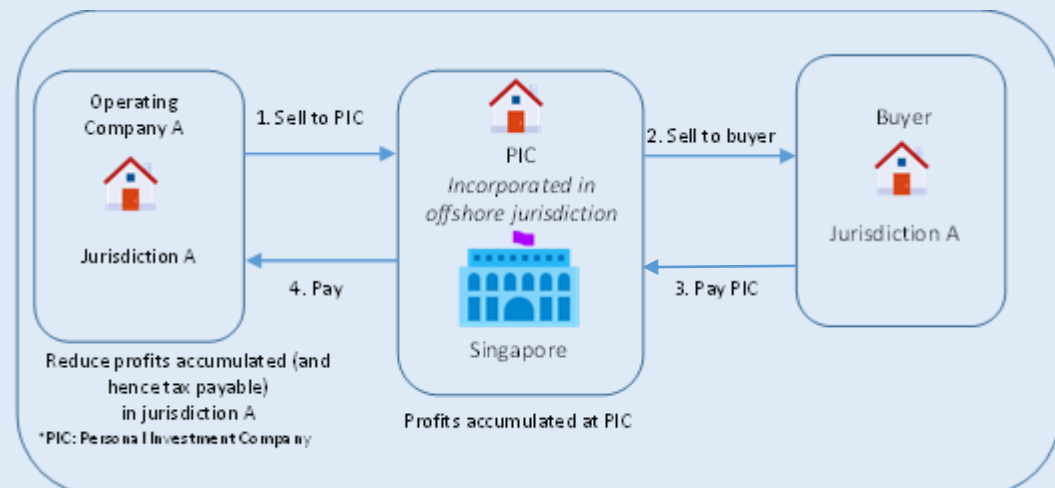
The CAD commenced investigations which revealed that legal person Y's director, Natural Person Z, had taken up a part time job offered by an unknown individual. Natural Person Z then provided the Singpass ID and password to the unknown individual to facilitate the opening of bank accounts. Natural Person Z received SGD 500 when the corporate bank account of legal person Y was opened.

Investigations also showed that Natural Person Z had reasons to believe that the unknown individual was engaged in criminal conduct, and that the actions would facilitate the control of the unidentified individual's benefits of criminal conduct. Natural Person Z was subsequently charged in September 2023 for offences under the Companies Act 1967, the CDSA and the CMA.

Use of private investment funds

- 8.23 The following case illustrates how a personal investment company incorporated in a foreign jurisdiction, which turned out to be a shell company with a Singapore bank account, was used to capture residual profit within the offshore personal investment company's account.

Case Study 19 – Tax motivated transactions involving a foreign incorporated shell company with a Singapore bank account



Client A, opened a personal investment company bank account at a private bank in Singapore. The personal investment company was incorporated in an offshore jurisdiction.

It was observed that Client A used the personal investment company for the purchase of raw material from her father's company in a neighbouring Southeast Asian country and subsequently received payments in the same account from buyers for the resale of the raw material.

Client A explained that she was an exclusive agent of her father's operating company. However, it was noted that the personal investment company had no operating presence or employees.

It is believed that profits are being accumulated offshore by Client A through the purchase of material from her father at low prices, thus reducing corporate profits at the operating location and capturing the residual profit within the offshore personal investment company's account.